UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:	CASE NO. 17-35835 (MI)
CASTEX ENERGY PARTNERS, L.P., ET AL.[1],	Chapter 11
Debtors.	(Jointly Administered)

DISCLOSURE STATEMENT FOR THE JOINT CHAPTER 11 PLAN OF REORGANIZATION OF CASTEX ENERGY PARTNERS, L.P. AND ITS DEBTOR AFFILIATES DATED NOVEMBER 29, 2017

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Dated: November 29, 2017

[1] The Debtors are the following five entities (the last four digits of their respective taxpayer identification numbers (if required) follow in parentheses): Castex Energy Partners, L.P. (5230); Castex Energy 2005, L.P. (7632); Castex Energy II, LLC (N/A), Castex Energy IV, LLC (N/A) and Castex Offshore, Inc. (8432). The address of the Debtors is Three Allen Center, 333 Clay Street, Suite 2900, Houston, Texas 77002.

THIS IS NOT A SOLICITATION OF AN ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT BEEN APPROVED BY THE COURT. THE INFORMATION IN THIS DISCLOSURE STATEMENT IS SUBJECT TO ONGOING GOOD FAITH NEGOTIATIONS AND, AS SUCH, MAY BE MODIFIED OR AMENDED. THIS DISCLOSURE STATEMENT IS NOT AN OFFER TO SELL ANY SECURITIES AND IS NOT SOLICITING AN OFFER TO BUY ANY SECURITIES.

INTRODUCTORY DISCLOSURES

THIS DISCLOSURE STATEMENT, WHICH HAS BEEN FILED BY THE DEBTORS, IN THEIR CAPACITY AS DEBTORS AND DEBTORS-IN-POSSESSION, CONTAINS A SUMMARY OF MATERIAL PROVISIONS OF THE JOINT PLAN OF REORGANIZATION PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE, INCLUDING PROVISIONS RELATING TO THE TREATMENT OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS AND THE MEANS OF IMPLEMENTATION OF THE PLAN.

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

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

UNLESS INDICATED OTHERWISE, THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF OR THE DATE OTHERWISE INDICATED HEREIN, AND NEITHER DELIVERY OF THIS

DISCLOSURE STATEMENT NOR ANY RECOVERY MADE IN CONNECTION WITH THE PLAN WILL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT SINCE THE DATE THIS DISCLOSURE STATEMENT AND THE MATERIALS RELIED UPON IN PREPARING THIS DISCLOSURE STATEMENT WERE COMPILED.

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

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

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

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 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 without registration under the Securities Act of 1933, together with the rules and regulations promulgated thereunder (the "Securities Act"), or similar federal, state, local, or foreign laws, in reliance on the exemption set forth in section 1145 of the Bankruptcy Code. Other Securities may be issued pursuant to other applicable exemptions under the federal securities laws. To the extent exemptions from registration under section 1145 of the Bankruptcy Code or applicable federal securities law do not apply, the Securities may not be offered or sold except pursuant to a valid exemption or upon registration under the Securities Act.

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 the Debtors':

- **business strategy;**
- **risks associated with the chapter 11 process, including the Debtors' inability to develop, confirm and consummate a plan under chapter 11 or an alternative restructuring transaction;**
- **inability to maintain relationships with suppliers, customers, employees and other third parties as a result of the chapter 11 filings or otherwise;**
- **failure to satisfy the Debtors' short- or long-term liquidity needs, including its inability to generate sufficient cash flow from operations or to obtain adequate financing to fund its capital expenditures and meet working capital needs and its ability to continue as a going concern;**
- **legal proceedings and the effects thereof;**
- **drilling locations;**
- **oil, natural gas and natural gas liquid ("NGL") reserves;**
- **realized oil, natural gas and NGL prices;**
- **production volumes;**
- **capital expenditures;**
- **regulatory changes;**
- **lease operating expenses, general and administrative expenses and development costs;**
- **future operating results, including results of acquired properties; and**
- **plans, objectives, expectations, and intentions.**

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 Reorganized 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 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; the Debtors' ability to access financing necessary to consummate the Plan; 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.

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INTRODUCTION

The Debtors[2], as debtors and debtors-in-possession, submit this disclosure statement (the "Disclosure Statement") pursuant to section 1125 of title 11 of the United States Code (the "Bankruptcy Code") in connection with the solicitation of votes on the *JOINT CHAPTER 11 PLAN OF REORGANIZATION OF CASTEX ENERGY PARTNERS, L.P. AND ITS DEBTOR AFFILIATES DATED NOVEMBER 29, 2017* (the "Plan," attached hereto as **Exhibit A**). To the extent any inconsistencies exist between this Disclosure Statement and the Plan, the Plan governs.

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

The Debtors are commencing this Solicitation after extensive discussions over the past several months with certain of their key creditor constituencies. As a result of these negotiations, the Debtors entered into that certain Restructuring Support Agreement dated as of October 13, 2017 (the "RSA"), with the Prepetition Secured Parties, Castex Energy I, LLC, and Castex Energy, Inc. A copy of the RSA is attached hereto as **Exhibit B**. Under the terms of the RSA, the Prepetition Secured Parties agreed to a deleveraging transaction that would restructure the existing debt obligations of the Debtors in chapter 11 proceedings through the Plan (the "Restructuring").

The Restructuring proposed by the Debtors will provide substantial benefits to the Debtors and all of their stakeholders, including, without limitation, the following:

- The Restructuring will leave the Debtors' business intact and substantially de-levered, providing for the reduction of a substantial amount of debt, resulting in a restructured balance sheet through the issuance of the New Equity Interests to each Holder of an Allowed RBL Secured Claim (as diluted by the receipt of New Equity Interests by other parties discussed below).

- The Debtors significantly improved balance sheet will enable the Reorganized Debtors to pursue value-creating development and exploration, maintain current reserves, and accelerate drilling activity. The proposed Restructuring includes a Management Incentive Plan to help ensure that management personnel remains committed to the future of the Reorganized Debtors. The continuation of the Debtors' business, including the ability to participate in future exploration activities will provide benefit by way of: maintaining contractual relationships among working interest owners; continued participation by the Debtors in funding their portion of operating and development costs for drilling, exploration, and production operations; continued compliance with decommissioning and plugging and abandonment obligations to state and federal regulatory authorities; and maintaining customary terms with vendors and other current creditors and counterparties.

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[2] Please refer to Article I.B of the Plan for the defined terms that are used in the Plan, and note that certain additional defined terms are located within the body of this Disclosure Statement where indicated.

Executing the Restructuring in a timely manner is of critical importance. PLEASE MAKE NOTE OF THE FOLLOWING KEY DATES AND DEADLINES FOR THE CHAPTER 11 CASES AS SET FORTH IN THE DIP CREDIT AGREEMENT AND FINAL DIP ORDER:[3]

Deadline for Entry of Order Approving the Disclosure Statement:	**January 5, 2018**
Deadline for Entry of Order Confirming the Plan:	**March 9, 2018**
Deadline for the Effective Date of the Plan:	**Ten (10) calendar days after entry of the order confirming the Plan**

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

THE DEBTORS, CERTAIN OF THE PREPETITION SECURED PARTIES, CELL I, AND CEI (COLLECTIVELY, THE "PLAN SUPPORT PARTIES") SUPPORT CONFIRMATION OF THE PLAN AND URGE ALL HOLDERS OF CLAIMS ENTITLED TO VOTE ON THE PLAN TO VOTE TO ACCEPT THE PLAN. DEBTORS BELIEVE THAT THE PLAN PROVIDES THE HIGHEST AND BEST RECOVERY FOR ALL CREDITORS AND INTEREST HOLDERS.

The following table summarizes: (i) the designation of Claims and Interests under the Plan, (ii) which Classes are Impaired and Unimpaired by the Plan, (iii) which Classes are entitled to vote and not entitled to vote on the Plan, and (iv) the estimated recoveries for holders of Claims. The table is qualified in its entirety by reference to the full text of the Plan. For a more detailed summary of the terms and provisions of the Plan, *see Article IV—Summary of the Plan* below.

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[3] These milestone dates and deadlines may be modified or amended with the written consent of the Consenting RBL Lenders in accordance with the Restructuring Support Agreement.

Class	Designation	Impairment Status	Voting Rights	Estimated Amount of Claims	Estimated Recovery
N/A	Administrative Claims	N/A	None	Approximate Amount (unpaid): [INSERT]	One Hundred Percent (100%) of Allowed Claims
N/A	Priority Tax Claims	N/A	None	None	(If applicable) One Hundred Percent (100%)
N/A	DIP Claims	N/A	None	Approximate Amount: $15 Million	One Hundred Percent (100%)
1	Other Secured Claims	Unimpaired	Not Entitled to Vote	Approximate Amount: [INSERT]	Either (i) payment in full, (ii) reinstatement, or (iii) in accordance the Code
2	Priority Non-Tax Claims	Unimpaired	Not Entitled to Vote	None	(If applicable) One Hundred Percent (100%)

Class	Designation	Impairment Status	Voting Rights	Estimated Amount of Claims	Estimated Recovery
3	RBL Secured Claims	Impaired	Entitled to Vote	Approximate Amount [TBD]	One Hundred Percent (100%) Pro rata share of 100% of the New Equity Interests in Reorganized Castex Holdco, subject to dilution by the General Equity Pool (if applicable), the Management Incentive Plan, and each DIP Lender's DIP Equity Share; and (2) the following commitments and/or loans: (a) if such Holder votes to accept the Plan and does not elect to opt out of the releases set forth in the Plan, its Pro Rata share of up to $90 million of loans and up to $105 million of commitments under the reserve-based lending facility under the Exit Credit Agreement and its Pro Rata share of up to $55 million of term loans under the Exit Credit Agreement or (b) if such Holder (i) abstains from voting on the Plan, (ii) votes to reject the Plan, or (iii) votes to accept the Plan but elects to opt out of the releases set forth in the Plan, its Pro Rata share of an aggregate principal amount of Exit Senior Secured Term Loans.

Class	Designation	Impairment Status	Voting Rights	Estimated Amount of Claims	Estimated Recovery
4	General Unsecured Claims	Impaired	Entitled to Vote	Approximate Amount: [TDB]	[TBD] Each holder of an allowed General Unsecured Claim shall receive its pro rata share of the General Equity Pool; *provided*, *however*, that if each class of General Unsecured Claims accepts the Plan, (i) the distribution of New Equity Interests to the DIP Lenders and to holders of RBL Secured Claims shall not be subject to dilution by the General Equity Pool and (ii) each RBL Lender voting to accept the plan and not electing to opt out of the releases set forth in the Plan shall waive any recovery or distribution on account of (but not voting rights in respect of) its allowed RBL Deficiency Claim for the benefit of the Beneficiary Claimants such that each Beneficiary Claimant shall not receive any distribution on account of its allowed General Unsecured Claim other than cash in the amount of the lesser of (i) the allowed amount of its General Unsecured Claim and (ii) its pro rata share of $500,000.
5	Intercompany Claims	Unimpaired/ Impaired	Deemed to Accept or Reject	Approximate Amount: [INSERT]	(i) Reinstated and treated in the ordinary course of business; or (ii) cancelled and discharged.
6	Section 510(b) Claims	Impaired	Deemed to Reject	None	Extinguished

Class	Designation	Impairment Status	Voting Rights	Estimated Amount of Claims	Estimated Recovery
7	Equity Interests in Castex 2005	Impaired	Deemed to Reject	N/A	Extinguished

DECIDING HOW TO VOTE ON THE PLAN: All Holders of Claims are encouraged to read this Disclosure Statement, its exhibits, and the Plan carefully and in their entirety before, if applicable, deciding to vote either to accept or to reject the Plan. This Disclosure Statement contains important information about the Plan, considerations pertinent to acceptance or rejection of the Plan, and developments concerning the Chapter 11 Cases.

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

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR VOTE MUST BE RECEIVED BY THE VOTING AGENT AT THE ADDRESS SET FORTH BELOW ON OR BEFORE THE **VOTING DEADLINE OF 4:00 P.M., PREVAILING CENTRAL TIME, ON FEBRUARY 6, 2018**, UNLESS EXTENDED BY THE DEBTORS. **PLEASE NOTE**: A FULL EXPLANATION OF THE VOTING REQUIREMENTS AND VOTING PROCEDURES IS FOUND IN ARTICLE IX OF THIS DISCLOSURE STATEMENT.

EACH BALLOT AND/OR NOTICE SENT WITH THE SOLICITATION PACKAGE ADVISES THAT (A) EACH HOLDER OF A CLAIM WHO HAS AFFIRMATIVELY VOTED TO ACCEPT THE PLAN, (B) EACH HOLDER OF A CLAIM WHO ABSTAINS FROM VOTING TO ACCEPT OR REJECT THE PLAN WITHOUT OPTING OUT OF THE RELEASES IDENTIFIED IN ARTICLE 12.4 OF THE PLAN, (C) EACH HOLDER OF A CLAIM WHO VOTES TO REJECT THE PLAN WITHOUT OPTING OUT OF THE RELEASES IDENTIFIED IN ARTICLE 12.4 OF THE PLAN, OR (D) EACH HOLDER OF A CLAIM OR INTEREST WHO IS IMPAIRED AND DEEMED TO REJECT THE PLAN AND WHO DOES NOT ELECT TO OPT OUT OF THE RELEASES SET FORTH IN ARTICLE 12.4 OF THE PLAN SHALL BE A RELEASING PARTY AS DEFINED IN THE PLAN.

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

THE DEBTORS, STRONGLY RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN, WHICH IF CONFIRMED WILL IMPLEMENT THE RESTRUCTURING SUPPORT AGREEMENT AMONG THE DEBTORS, CERTAIN OF THE PREPETITION SECURED PARTIES, CELL I AND CEI. THE DEBTORS BELIEVE THAT THE PLAN MAXIMIZES THE VALUE OF THE DEBTORS' ESTATES AND REPRESENTS THE BEST AVAILABLE ALTERNATIVE FOR COMPLETING THESE CHAPTER 11 CASES.

ARTICLE I
BACKGROUND

1.1 *The Debtors' Businesses*

The Debtors, affiliates of one another, are headquartered in Houston, Texas and (i) engage in the exploration, development, production and acquisition of oil and natural gas properties located along the southern coasts of Louisiana and Texas and onshore Louisiana (Castex Energy Partners, L.P.), (ii) hold legal title and contractual rights title and act as designated operator of federal offshore leases (Castex Offshore, Inc.), (iii) own the operating entities and other Debtors (Castex Energy 2005, L.P.), and (iv) act as general partner and small interest limited partner of certain of the Debtors (Castex Energy II, LLC and Castex Energy IV, LLC).

The Debtors do not have their own employees, and therefore require management services. The Debtors are parties to a shared services agreement with Castex Energy, Inc. ("CEI") dated March 4, 2009 (as amended and restated, the "Shared Services Agreement"), pursuant to which CEI provides administrative (including financial, accounting, marketing, and overall G&A services), management of properties, development of prospects, raising of capital, and other corporate and support services to the Debtors in the ordinary course of business. CEI does not hold title to any mineral assets. CEI does hold certain seismic and geographical data related to the Onshore Leases and Offshore Leases (defined below), prospect areas and areas subject to prospect development and area of mutual interest agreements, pursuant to various license agreements (the "CEI Seismic Data").

The Debtors also engage third party providers to provide skilled and trained personnel in support of onshore and offshore oil and gas drilling and production operations, such as: (i) a major service provider that provides day-to-day field level production operations; (ii) a project management providers for major repair and construction work; and (iii) other service providers to assist the Debtors in meeting their health, safety, and environmental obligations under applicable law.

1.2 *The Debtors' Leasehold Interests and Related Assets*

As of the Petition Date, the Debtors owned interests in approximately 388 oil, gas and related wells, and have estimated proved reserves of approximately 10 MMBO (oil and gas condensate) and approximately 230 BCF (natural gas). As well, the Debtors are parties to multiple area of mutual interest agreements (within multiple exploration, joint development,

and/or joint operating agreements), hold interests in certain seismic, and own indirectly undivided interests in fee lands (through limited partnership units in a non-debtor entity, Castex Lafourche, L.P.). Finally, the Debtors own some equipment, facilities, etc. related to the ownership of these oil and gas assets.

Castex Energy Partners, L.P. ("CEP") is record title holder and a non-operating working interest owner[4] in approximately three hundred seventy-five (375) onshore oil and gas leases located in the State of Louisiana (the "Onshore Leases"). There are approximately three hundred (300) wells on the Onshore Leases (the "Onshore Wells"). CEP also holds a seismic license and also holds certain proprietary seismic data through a subsidiary, CTS-Castex, LLC (collectively along with any related facilities, seismic, equipment and other assets, sometimes referred to as the "Onshore Assets").

CEI acts as third party operator of approximately twenty percent (20%) of the Onshore Wells, representing approximately sixty percent (60%) of CEP's net onshore production, pursuant to and under certain joint operating agreements, to which CEP is a working interest party (along with other third party working interest owners). With respect to CEP's working interests, CEI, under the Shared Services Agreement acts as CEP's agent in managing these working interests.

Castex Offshore Inc. ("COI") is a record title holder or holder by contract rights of approximately fifty (50) oil and gas leases (the "Offshore Leases")[5] located offshore the Gulf Coast of Louisiana and Texas. There are approximately seventy (70) wells on the Offshore Leases (the "Offshore Wells") (collectively, along with any related facilities, seismic, equipment, and other assets, sometimes referred to as the "Offshore Assets"). COI is qualified by the Department of the Interior to own and operate the offshore leases and currently is the operator under joint operating agreements or other contractual agreements covering approximately fifty-five percent (55%) of the Offshore Wells, representing approximately 35% of the net offshore production. COI is a record title non-operating owner of the remaining Offshore Leases, governed by joint operating agreements with other non-operating working interest owners and third party operators. CEI does not act as third party operator of record of any Offshore Leases. However, CEI performs the operator services for and on behalf of COI under the joint operating agreements under which COI is operator of record (outside the ambit of the Shared Services Agreement).

While COI is record title owner and record contract rights holder, CEP is the beneficial non-operating working interest owner of all Offshore Leases, Offshore Assets and offshore related assets, if any. With respect to CEP's beneficial working interests in the Offshore Assets,

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[4] CEP is the named operator of a single well in West Deer Island Field (the "Lacoste Well") as a result of the former operator, Shoreline Louisiana, LLC's filing a chapter 11 bankruptcy case and subsequent abandonment of the property (Case No. 16-35571 (Bankr. S.D. Tex. 2016) [Dkt. No. 362]). CEI operates on CEP's behalf in accordance with an executed contract operations agreement.

[5] The Onshore Leases and the Offshore Leases are sometimes referred to collectively as the "Leasehold Interests."

CEI, under the Shared Services Agreement, acts as CEP's agent in managing these working interests.

Certain Debtors CEP and COI are also parties to approximately one hundred sixty (160) joint operating agreements ("JOAs") and other agreements governing operations of the Onshore and Offshore Leases.[6]

CEP's current monthly net revenue from oil and gas production averages approximately $6.0—7.0 million ("Net Revenue"). The Net Revenue, however, may change on a monthly basis, depending on pricing and business interruptions that are outside CEP's control (*e.g.*, third-party owned pipeline shut-ins, equipment breakdowns, government orders, and weather).

Castex Energy 2005, L.P. ("Castex 2005") is the 98.91% limited partner of CEP and sole shareholder of COI, but does not conduct any oil and gas operations or own any oil and gas properties.

1.3 *Debtors' Corporate Structure*

Castex 2005 was organized in 2005 as a limited partnership. It is a limited partnership organized under the laws of the State of Texas and is owned by multiple regular and preferred limited partner unit holders. Castex Energy I, LLC ("CELL I") is the General Partner of Castex 2005 and is the holder of a 1% general partner interest in Castex 2005. CELL I, created in early 2008, is owned by CEI. Neither CELL I nor CEI is a debtor. Castex 2005 has three separate classes of limited partner units: regular units, preferred units and an incentive unit. Castex 2005 is managed by CELL I. Subject to the limitations contained in the Castex 2005 partnership agreement, the decisions respecting any matter set forth or otherwise affecting or arising out of the conduct of the business of Castex 2005 are made by CELL I as general partner.

CELL I is governed by a board of managers (the "CELL I Board of Managers") consisting of (i) three "Class A Managers", (ii) three "Class B Managers" and (iii) one Independent Manager. The CELL I Board of Managers owns or controls approximately seventy percent (70%) of the regular units of Castex 2005. CELL I is comprised of "Class A Common Units", which are owned 100% by CEI, and "Class B Special Units", which are owned by Castex 2005. The sole purpose of the Class B Special Units is to allow certain large institutional regular unit holders of Castex 2005 (which are not otherwise affiliated with and do not own interests in CEI) to maintain three managerial seats on the CELL I Board of Managers (as Class B Managers) and to provide them the right to elect, remove, and replace (as the case may be) their respective Class B Manager(s). The Class B Special Units are not entitled to distributions from CELL I. Certain matters, including, but not limited to, large acquisitions or divestitures in excess of $50 million and approval of a budget for Castex 2005 for purposes of the annual setting of the management fee under the Shared Services Agreement, require Super-Majority Board Approval (defined as the affirmative vote of 4 out of the 7 Managers, one of whom must be a Class B Manager). Other governance and business decisions not requiring supermajority board approval (excluding those decision matters relegated to the unit holders of Castex 2005

[6] Including JOAs, farmout agreements, participation agreements, exploration agreements and joint development agreements.

under the partnership agreement, such as approval of the filing of the Castex 2005 bankruptcy petition) are authorized to be made by the CELL I officers, all of whom are employees of CEI. CELL I has not received any distributions from Castex 2005 with respect to its general partnership interest.

CEP is a limited partnership organized under the laws of the State of Texas and is a subsidiary owned 98.91% by Castex 2005, through limited partner units. Castex Energy II, LLC ("CELL II") is the General Partner of CEP and is the holder of a 1% general partner interest in CEP. Castex Energy IV ("CELL IV") holds 0.09% of the limited partner units of CEP. CELL II and CELL IV are wholly owned by Castex 2005. CELL II is governed by a board of managers consisting of three managers (the "CELL II Board of Managers"). CELL II, as general partner of CEP, has the authority over decisions respecting any matter set forth or otherwise affecting or arising out of the conduct of the business of CEP. However, certain matters, including the right to make material acquisitions or divestitures in excess of $50 million and the right to approve a budget for CEP, for purposes of the annual setting of the management fee under the Shared Services Agreement, require Super-Majority Board Approval of the CELL I Board of Managers.

COI is a Texas corporation and is governed by a board of directors consisting of two directors (the "COI Board of Directors"). Pursuant to the COI Bylaws, the COI Board of Directors manages the business and affairs of COI. COI is wholly owned by Castex 2005.

CELL IV is a Delaware limited liability company and is governed by a board of managers consisting of three managers (the "CELL IV Board of Managers"). Pursuant to the CELL IV limited liability agreement, the CELL IV Board of Managers is authorized to do and perform all acts as may be necessary and appropriate to the conduct of CELL IV's business. CELL IV is wholly owned by Castex 2005. As mentioned, CELL IV owns a 0.09% limited partnership interest in CEP. It owns no other assets.

A corporate organization chart summarizing the Debtors' organizational structure is attached hereto as **Exhibit C**.

1.4 *Debtors' History*

Castex 2005 was created in 2005 as the entity that would own various entities and certain assets itself in the oil and gas drilling and exploration industry. Through the creation of the entities described below, and the consolidation of ownership of mineral assets for purposes of borrowing base requirements, Castex 2005 has contributed its assets (except for those specifically mentioned below) to its subsidiaries, CEP and/or COI, such that Castex 2005 now owns no mineral assets.

CEP was created in 2007 as a subsidiary of Castex 2005 to form a vehicle through which to acquire producing oil and gas fields and participate in new exploration drilling. In 2009, Castex 2005 sold drilling prospects to a newly created partnership—Castex Energy 2008, L.P. ("Castex 2008"). Castex 2005 retained overriding royalty interests in the assets sold to Castex 2008 and certain backend equity interests in Castex 2008. Castex 2008 was managed by Castex Energy III, LLC ("CELL III"), a wholly owned subsidiary of Castex 2005.

COI, formerly known as Castex Offshore, LLC, was formed in 2007 to own and operate offshore assets. Castex Offshore Energy, L.P., an entity that was not a party to the Prepetition Credit Facility was the initial owner of the beneficial interests in some of the Offshore Assets, and through a series of transactions CEP became the sole beneficial owner of the Offshore Assets, for consolidation and borrowing base purposes.

In 2011, Castex 2005 formed another partnership, Castex Energy Development Fund, LP ("CEDF"), which was managed by CELL IV.

In 2011, CEP and/or COI made large-scale acquisitions, including but not limited to the acquisition of all of Seneca Resources' offshore assets ($14 million), certain properties in Golden Meadow Field, Louisiana ($24 million) and 25% of the equity interests in Phoenix Exploration ("Phoenix") ($131.9 million), along with Apache Corporation ("Apache"), which purchased the other 75% ownership interest. Upon the purchase of Phoenix, Apache and CEP caused the assignment out of Phoenix of the assets of the company, 75% to Apache and the remaining 25% to CEP and COI (allocated onshore and offshore assets, respectively).

In 2013, CEP acquired CEDF and Castex 2008. CEP then merged with CEDF, CELL III and Castex 2008 (with CEP as the surviving entity) and subsequently increased its borrowing base under the Credit Facility (defined below) to $500 million. As part of the merger, CELL IV acquired the above described 0.09% limited partnership units in CEP.

As a result of these transactions the beneficial interests in all of the Onshore Assets and Offshore Assets were, as of 2014, owned beneficially by CEP, with COI holding legal title and record contract rights to the Offshore Assets as described above.

In 2014, CEP determined it necessary to raise capital and/or sell assets in order to execute its drilling program. The vehicle from which CEP sold interest in prospects and received upfront consideration was Castex Energy 2014, LLC ("Castex 2014"),[7] a limited liability company, managed by CEI under its version of a shared services agreement, and owned by certain parties who held ownership interests in Castex 2005 and other third party owners with no affiliation with any of the Debtors. Castex 2014 was (and is) not a party to the Prepetition Credit Facility. In September of 2014, in a good faith, arm's-length transaction in exchange for reasonably equivalent value, CEP sold and assigned certain drilling prospects to Castex 2014. In addition, CEP, COI, Castex 2014 and CEI executed an exploration and development agreement (the "EDA") whereby CEI would generate certain prospects on behalf of CEP, COI, and Castex 2014, and Castex 2014 would receive a proportionally reduced fifty percent (50%) participation right in the area of mutual interest (being the area in the Gulf of Mexico and all of Louisiana, south of Interstate 10). The Castex 2014 drilling program was intended to provide CEP and /or COI with necessary drilling capital and a much needed working interest partner. Castex 2014 also agreed to participate with CEP in a new three dimensional seismic shoot in Terrebonne Parish, Louisiana. This EDA transaction (in all its parts), for which Castex 2014 paid a cash

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[7] The Castex 2014 assets are held by its wholly owned subsidiary, GOME 1271 LLC. For ease of reference, GOME 1271 LLC will be referred to as Castex 2014.

purchase price of $67 million (plus Castex 2005 received Series B Units in Castex 2014, to which as of the Petition Date, Castex 2005 ascribed no value), was confected to provide capital to facilitate continued participation in prospect opportunities and also to pay trade creditors and pay amounts under the Prepetition Credit Facility.

At the end of 2015, facing increased pressure generated by the combination of the sharp decline in the oil and gas industry and its debt burden to the Prepetition Agent and Prepetition Secured Parties, CEP (and COI) proposed, and the Prepetition Agent and Prepetition Secured Parties approved, a sale of 12.5% of all of the assets of CEP (including its beneficial interest in the Offshore Assets) for a purchase price of $50 million (the "Slice Sale"). In a good faith, arm's-length transaction in exchange for reasonably equivalent value, Castex 2014 agreed to purchase 11.25% for $45 million and the remaining 1.25% ($5 million) was purchased by an entity established by certain Castex 2005 limited partners who wished to participate (Castex Energy 2016, LP ("Castex 2016")).[8] These two transactions closed in February/March of 2016 with an effective date of December 31, 2015. All of the proceeds of the Slice Sale were received by CEP and were used to pay down amounts due under the Prepetition Credit Facility.

Castex 2014 and Castex 2016 are parties to their own version of a shared services agreement with CEI, to which none of the Debtors are parties.

1.5 *Interaction Among CEI and the Debtors*

CEI provides necessary management services to the Debtors under the Shared Services Agreement. Because CEP and COI have had no employees from inception (the entities do have unpaid officers), the ability of CEP and COI to operate their businesses and their properties, and to derive value from acquisition, development, and operation of the Offshore Assets and Onshore Assets and the prospects associated therewith (and to obtain and acquire future prospects) is dependent upon the Services (as defined in the Shared Services Agreement) provided by CEI for management of the Debtors and the Onshore and Offshore Assets. Services as defined in the Shared Services Agreement, include "legal, accounting, treasury, finance, investor relations, insurance administration and claims processing, risk management, health, safety and environmental, information technology, human resources, credit, internal audit, taxes, facilities, payroll, interpretation of the CEI Seismic Data and other seismic data to which CEI has access, fleet management and media services."[9] As well, CEI is obligated by the Shared Services Agreement to utilize the CEI Seismic Data for the development and exploration of the Onshore Assets and Offshore Assets, and to the extent allowed by license agreements to make seismic

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[8] The Castex 2016 assets are held by its wholly owned subsidiary, Dorado Deep GP, LLC. For ease of reference, Dorado Deep GP, LLC will be referred to as Castex 2016. Castex 2016 was (and is) not party to the Prepetition Credit Facility.

[9] The CEI personnel groups include Production Operations, Exploration, Land/Legal/Business Development, HR/Accounting/Reporting, Management/Administration, Finance/Capital Raising, Drilling and IT/Systems. After almost three (3) decades, CEI has accumulated a vast set of land and title resources, business contacts, regulatory expertise (the Onshore and Offshore Assets include a wide set of holdings of State of Louisiana and Federal leases), title and land acquisition data and experience, accounting experience and in house legal experience (not an exclusive list).

data available to the Debtors (who to the extent they are provided access will maintain confidentiality).

CEI provides the Services to the Debtors in exchange for a monthly management fee (the "Management Fee"). The Management Fee has been set on an annual basis by the CELL I Board of Managers described above. Currently (and as of January 1, 2017), the Management Fee charged by CEI is $1,458,333 per month.

The Shared Services Agreement also provides for reimbursement of certain third party expenses deemed Approved Third Party Expenses in the Shared services Agreement (the "3rd Party Expenses"). The 3rd Party Expenses include, but are not limited to, charges actually incurred for the benefit of the Debtors (without mark-up) for (i) the annual financial audit by an independent auditor, (ii) expenses for legal counsel for advice to the Debtors on company or partnership matters, (iii) preparation of the independent reserve report for the Onshore Assets and Offshore Assets, (iv) capital expenditures in accordance with approved budgets, and (v) the provision of insurance for the Debtors' assets and businesses and for protection against liability of the Debtors and management of the Debtors as could arise from operations of the businesses and Assets. For these 3rd Party Expenses the Debtors agreed that CEI could fund and then be reimbursed, or could arrange direct billing to the Debtors. With respect to insurance, CEI is the policy holder for all or substantially all of the insurance covering the Debtors and their Assets. CEI bills each of the Debtors on a monthly basis for their portion of the insurance coverage as a 3rd Party Expense under the Shared Services Agreement. Unless the insurance is paid by the Debtors, CEI could have the option of cancelling the insurance. Currently, as the Debtors are managed by CEI and have no independent ability to go out into the insurance markets (though perhaps such facility could be obtained), the Debtors have requested authorization of the Bankruptcy Court to reimburse CEI for the insurance premiums. With respect to the 3rd Party Expenses provisions of the Shared Services Agreement, the Debtors and CEI have agreed that the Debtors will be billed directly for such expenses.

Regarding the Management Fee, as mentioned, it has been set on an annual basis by the CELL I Board of Managers, in connection with setting the annual budget for the Debtors. The following is a table of Management Fees, including capitalized amounts, authorized, charged, and collected from 2014 to the present:

- 2014 – Authorized: $27,500,000; Charged and Collected: $23,720,000
- 2015 – Authorized: $22,500,000; Charged: 21,845,000; Collected: $17,855,000
- 2016 – Authorized: $22,500,000; Charged and Collected: $17,500,000
- 2017 – Authorized: $17,500,000; Charged (monthly average annualized through petition date) and Collected: $17,500,000 (on same annualized basis)

Attached to this Disclosure Statement as **Exhibit D** is an analysis of the relative comparison of the Debtors to various peer companies as regards per unit of production G&A expense (including capitalized G&A). This exhibit shows that for the time period covered, the G&A expense ratio represented by the Management Fee (and other G&A items) paid by the Debtors is among the most competitive of the companies in its peer group, measured on a per unit of production basis. The Castex Debtors currently owe CEI six million one hundred fifty

and no/100ths dollars ($6,150,000) under the Shared Services Agreement for unpaid Management Fees (three million nine hundred ninety thousand and no/100ths Dollars ($3,990,000)— *see* year 2015 above) and unreimbursed professional fees paid on behalf of the Debtors (two million one hundred sixty thousand and no/100ths Dollars ($2,160,000)) (the "CEI Cure Claim").

Under the Plan, the Shared Services Agreement will be assumed and amended in accordance with the RSA. CEI will continue to manage and operate the Debtors pursuant to the New Shared Services Agreement and will be paid the Management Fee described within the RSA and Plan. All parties to the RSA have agreed to the treatment of the CEI Cure Claim as set forth therein and in the Plan. The RSA represents a settlement and compromise by and among CEI on account of the CEI Cure Claim and Management Fee as provided in the RSA.

Finally as mentioned above, CEI provides to COI operator services outside the Shared Services Agreement with respect to the properties of which COI is operator under joint operating agreements with third party working interest owners.

1.6 *Capital Structure*

(a) Secured Debt

The Debtors entered into that certain Second Amended and Restated Credit Agreement dated as of July 17, 2013, with several banks and other financial institutions or entities from time to time parties thereto (collectively, the "Prepetition Secured Parties"), Capital One, National Association, as administrative agent (in such capacity, together with any successor(s) thereto in such capacity, the "Prepetition Agent")[10] and certain other parties (as heretofore amended or otherwise modified and as the same may be amended, modified, supplemented or restated from time to time including without limitation the "Fifteenth Amendment", dated as of July 15, 2017 (the "2017 Amendment", collectively, the "Prepetition Credit Facility")). CEP is the Borrower under the Prepetition Credit Facility, with other parties thereto the Loan Parties. The debt under the Prepetition Credit Facility ("Prepetition Debt") is guaranteed by CELL II, CELL IV, COI and Castex 2005 and payment thereof is secured under the terms of the Prepetition Credit Facility by multiple security interests including: (i) a pledge on all of the partnership units of CEP held by Castex 2005, (ii) CEP's partnership interest in Castex Lafourche, LP, (iii) mortgages and security interests on virtually all of the Onshore and Offshore Leases, (iv) a pledge of the proceeds from the Apache Litigation (described below) and other commercial litigation, (v) UCC-1 filings, and (vi) deposit account control agreements.

(b) Unsecured Claims Analysis

COI is an operator qualified by the Bureau of Ocean Energy Management ("BOEM") to operate and hold offshore leases and as mentioned serves as operator of approximately fifty-five percent (55%)] of the Offshore Leases. As operator of these Offshore Leases, COI is the party

[10] Bank of America, N.A. resigned as administrative agent under the Credit Facility effective July 13, 2017 and was replaced with Capital One, National Association pursuant to the 2017 Amendment.

responsible under the applicable joint operating agreements for paying the bills generated by operating the Offshore Leases, facilities, Assets, and in so doing must: (i) obtain a variety of specialty chemicals, gas, metals, plastics, and other raw materials from specialized vendors and other service providers: (ii) meet certain safety, plugging and abandonment, and decommissioning obligations in order to remain qualified with BOEM; and (iii) make all payments to third parties for drilling, completion, recompletion, facilities maintenance, and other development and operations regarding the operated Offshore Assets. In the course of its responsibility as operator, COI obtains materials and services (including—without limitation—personnel to manage, maintain and operate the operated Offshore Assets) from a limited number of highly specialized vendors, service providers, and other businesses, often on an order-by-order basis and/or, in some instances, through contracts with service providers. The Debtors estimated that, as of the Petition Date, COI owed a total of approximately $3.5 million on account of these undisputed trade claims (the "Trade Claims") arising from its responsibilities as operator. As discussed below, the Debtors requested and obtained Court approval to pay all undisputed prepetition and postpetition Trade Claims in the ordinary course of business in connection with the filing of the First Day Motions. As such, all undisputed and unsecured debt of COI to these third parties should have been paid by hearing on this Disclosure Statement.

In the ordinary course of business, the Debtors are parties to a number of lawsuits, legal proceedings, collection proceedings, and disputed claims arising out of their business operations. The Debtors dispute the claims brought by Apache Corporation ("Apache"), Marquis Resources, LLC ("Marquis"), Fieldwood Energy LLC ("Fieldwood") and Benefit Street Partners L.L.C. ("BSP") (collectively, the "Disputed Claims" and each a "Disputed Claim"). Following is description of the "Disputed Claims":

a. Apache Litigation. Apache filed a suit against CEI, CEP, and COI in August 2015 alleging that Apache is owed on unpaid joint interest billings relating to the parties' joint ownership and operating/facilities agreements regarding certain oil and gas properties. The suit is styled as *Apache Corporation v. Castex Offshore, Inc., et al,* Cause No. 2015-48580; 133rd Judicial District Court, Harris County, Texas. It is important to note that the Apache Disputed Claim arises out of prior relationships, as opposed to current contractual or joint ownership agreements, because while the Debtors require that current creditor claims be dealt with to maintain operating agreements and preclude third parties from asserting lien rights against third parties holding ownership interests under joint operating agreements, the Apache Disputed Claim generates no such rights on its behalf. CEI, CEP and COI filed counterclaims against Apache. Certain of these counterclaims center upon two projects undertaken by Apache, as operator: (1) the construction of the Belle Isle natural gas processing facility and associated pipelines (the "Belle Isle Facility"), and (2) the drilling and completion of the Potomac #3 Well. CEP has asserted that, due to Apache's gross negligence and willful misconduct, the Belle Isle Facility cost over $148 million, more than $100 million over the approved budget. Due to Apache's gross negligence, breach of fiduciary duty, and fraud (failure to disclose information relating to real costs, which were known to Apache), CEP, as a 25% owner, paid nearly $23 million more than it should have for the Belle Isle Facility. CEP also asserts that Apache

was grossly negligent in the drilling, sidetracking, and completion of the Potomac #3 Well (which was owned 50% each by Apache and Castex), causing the total well cost to exceed $51 million, more than double its original budget. Further, CEP alleges that Apache was grossly negligent in failing to cement multiple sidetrack attempts in the well, allowing cross flow of water into the reservoir. As a result, the well was a total loss, ceasing production shortly after completion and causing loss of reserves from the target reservoirs. Inclusive of remedial costs for the well and lost reserves, CEP suffered millions of dollars in damages as a result of Apache's gross negligence on the Potomac #3 Well. Among the Debtors, CEP is the true party in interest, both as regards the Apache Disputed Claim (though Apache has continued to make shifting claims in an attempt to assert claims against COI as well as CEP (Castex 2005 is a named defendant but Apache has raised no claims against Castex 2005 except to assert that its name has the word "Castex" in it) and the counterclaim. Apache in essence holds the Disputed Claim(s) against CEP, but is subject to counterclaims that dwarf the Disputed Claim.

b. Marquis Resources, LLC. On November 2, 2016, Shoreline Southeast LLC and Shoreline Offshore LLC ("Shoreline") filed jointly administered chapter 11 cases in the United States Bankruptcy Court for the Southern District of Texas. CEP and Shoreline are parties to a number of pre-petition joint operating agreements pertaining to the joint development of certain wells located in the State of Louisiana and offshore. Under some of these agreements, CEI (onshore) andr COI (offshore) act as the operator, and either Shoreline Southeast LLC or Shoreline Offshore LLC is a working interest holder. Under other of these agreements, Shoreline Southeast LLC is the operator, and CEP and or COI would be a working interest holder. On November 21, 2016, Shoreline filed a motion proposing bidding procedures (the "Sale Process") for both the sale of designated assets and non-designated assets. Highbridge, Shoreline's prepetition lenders, agreed to form an entity to provide a stalking horse credit bid for the designated assets. Shoreline stated that in the event that any of the assets were not sold through the Sale Process, those assets would be abandoned. Highbridge prevailed as purchaser of the designated assets, and Marquis was organized as the successor entity to hold the assets purchased by Highbridge. On January 27, 2017, Shoreline filed its *Notice of Intent to Abandon Estate Assets* (the "Abandonment Notice"). The Abandonment Notice contained several exhibits outlining the Non-Designated Assets to be abandoned (the "Unsold Assets"). Among the Unsold Assets were several assets and agreements with CEP and CEI under which Shoreline has significant plugging and abandonment liability (namely, Rabbit Island and Deer Island West Lacoste). CEI sought and was awarded an administrative expense claim against Shoreline by final order of the bankruptcy court for unpaid joint interest billings and for demobilization and plugging and abandonment expenses which have not yet occurred but which will occur upon the abandonment of the Unsold Assets (the "Administrative Claim"). Under the terms of the agreements, Shoreline is responsible for paying their share of certain joint interest billings and is jointly liable in certain proportion for all

environmental liabilities attributable to the assets. Further, because Shoreline had failed to pay its joint interest billings, CEI held certain revenues due to Shoreline in suspense. In April 2017, Marquis made demand upon CEI and the Castex Debtors to pay certain receivables owed in the total amount of approximately $920,000 (namely revenues held in suspense). Marquis asserted that the sale of assets included all receivables that were outstanding as of the closing date, including receivables related to the Unsold Assets. Marquis did agree to allow for an offset of any amounts it owes for joint interest billings. The Castex Debtors dispute Marquis' interpretation of the sale documents and the addition of accounts receivable attributable to Unsold Assets (Rabbit Island and Deer Island West Lacoste) to Marquis' payment request; however, Castex agreed that it can setoff amounts owed by Shoreline. Marquis' demand for payment ignores the Unsold Assets' associated liabilities and does not take into account the Administrative Claim, which accrued prior to the sale of assets to Marquis. The Administrative Claim eclipses any amount demanded by Marquis. The parties are attempting to reach settlement, as CEP and/or COI remain parties to joint operating agreements that were assumed by Shoreline and assigned to Marquis, and the resolution of the Shoreline-based disputes will facilitate an ongoing relationship among the parties.

c. Fieldwood. On July 2, 2014, Fieldwood (as Seller) and COI and Walter Oil and Gas Corporation ("Walter") (as Purchasers) entered into a Purchase and Sale Agreement (the "PSA"), whereby COI and Walter acquired all of Fieldwood's right, title and interest in and to the High Island 116A Platform and certain Pipelines (collectively, the "HI116A Assets") in exchange for assumption of all decommissioning obligations. The Parties closed the transaction on July 21, 2014 (the "Closing Date") and executed an assignment and bill of sale and designation of operator forms relating to the HI116A Assets. In connection with the closing, Fieldwood and COI executed two contract operations agreements: (1) a Contract Operations Agreement whereby COI would contractually operate the HI116A Platform until such time as the designation of operator was approved by the BOEM and (2) a Contract Operations Agreement whereby COI would contractually operate the HI167A Platform for a period of time until either Party provided the other written notice to discontinue production at the HI167A Platform. Within the conveyance documents, Fieldwood reserved and did not convey to COI or Walter the High Island A01, High Island A02 and High Island A03 Wells (the "Reserved Assets"). Pursuant to written notice provided by Fieldwood, the HI176A Contract Operations Agreement terminated on July 31, 2016. On July 13, 2016, Fieldwood provided COI with a summary of previous unbilled costs allegedly associated with the HI167A Platform totaling $261,037.78. COI was also informed that there were additional unbilled costs associated with the HI116A Platform, but that they appeared to be less than $5,000. Then, on August 11, 2016, COI received subsequent invoices, allocated as follows: $324,981.36 for the HI167A Platform and $360,244.06 for the HI116A Platform. COI reviewed these invoices and informed Fieldwood that a number of the charged costs were allocated to the Reserved Assets, and declared that it was not responsible, nor would it remit payment, for amounts associated

with such Reserved Assets. Because COI disputed the amounts owed, Fieldwood began withholding revenue on other properties: Chandeleur 42/43, High Island 206, Ship Shoal 301 and Ship Shoal 314. Fieldwood also withheld payment on all joint interest billings owed to COI, the last invoice being paid by Fieldwood in August of 2016. In September of 2016, Fieldwood and CEI held a meeting where Fieldwood asserted that the costs were mistakenly allocated to the Reserved Assets when they should have been allocated to the HI116 Platform. Fieldwood then submitted a revised invoice detailing the amounts allegedly owed. CEI is currently reviewing the revised invoice, and disputes a number of the charges contained therein, as they are for time periods where COI was the acting operator for the HI116 and HI167 Platforms. The parties have settled in principle, and the Debtors are hopeful that by hearing on this Disclosure Statement they will have filed a motion pursuant to Bankruptcy Rule 9019 requesting Bankruptcy Court approval of a settlement of the Fieldwood Disputed Claim. The Fieldwood Disputed Claim is a claim only against COI; Fieldwood holds no claims against any of the other Debtors.

d. Benefit Street Partners. In or around 2015, Benefit Street Partners ("BSP") and Castex 2005 entered into an arrangement whereby BSP would provide financing to Castex 2005. This transaction never closed. In 2017, BSP filed a suit against Castex 2005 styled as *Benefit Street Partners, L.L.C., v. Castex Energy 2005, L.P.*, Cause No. 2017-21029, 334th District, Harris County, Texas, seeking to recover its out-of-pocket expenses associated with the failed transaction of approximately $200,000. Specifically, BSP asserted that Castex 2005 failed to pay for a work deposit as allegedly required under the terms of a work deposit letter executed by the parties on July 2015. Castex 2005 responded, asserting that it has fully complied with all of its obligations set forth in the work deposit letter. Castex 2005 has also asserted numerous counterclaims against BSP, including fraud and negligent representation, and has claimed that BSP made false representations to Castex 2005 that were relied upon by Castex 2005, including representations regarding the ability of BSP to source or finance the transaction itself (which Castex 2005 asserts it knew it could not do at the time of making the representation). The BSP Disputed Claim is asserted only against Castex 2005, and it holds no other claims against any of the other Debtors.

In the event that any Disputed Claim becomes an Allowed Claim, such Claim shall be treated as a General Unsecured Claim for purposes of the Plan.

(c) CEI Cure Claim

Certain of the Debtors owe the CEI Cure Claim in the aggregate amount of six million one hundred fifty and no/100ths dollars ($6,150,000), which is comprised of (i) unpaid management fees in the amount of three million nine hundred ninety thousand and no/100ths Dollars ($3,990,000) and (ii) unpaid reimbursements for professional fees paid by CEI on behalf of the Debtors in the amount of two million one hundred sixty thousand and no/100ths Dollars ($2,160,000). Pursuant to the RSA, the Shared Services Agreement shall be assumed by the

Debtors on the Effective Date of the Plan, subject to certain amendments including with respect to termination rights, the monthly Management Fee charged by CEI, the method of redetermination of the monthly Management Fee, and the payment of 3rd Party Expenses. Upon assumption of the Shared Services Agreement pursuant to the Plan and Confirmation Order, CEI has agreed to the treatment of the CEI Cure Claim as follows: (i) CEI shall setoff the amount of one million four hundred fifty-six thousand seven hundred sixty-seven and 02/100ths Dollars ($1,456,767.02) of its Cure Claim against CEI's debt to CEP for legacy suspended revenue and (ii) shall be entitled to the "Success Fee" upon sale(s) that result in at least $200 million of proceeds, a full third-party refinancing of exit facilities, or a sale contemporaneous with or after a refinancing that results in at least $168 million of proceeds. CEI shall receive no other or further consideration on account of the CEI Cure Claim. Since the Petition Date, amounts due and payable in the ordinary course of business under the Shared Services Agreement (other than, for the avoidance of doubt, the CEI Cure Claim) have been paid in accordance with the Shared Services Agreement and in accordance with the Bankruptcy Court's approval of the Shared Services Agreement Motion (as defined below). CEI supports the restructuring of the Debtors and is a party to the RSA.

(d) Equity Interests

As discussed, Castex 2005 is the owner of CEP, CELL II, CELL IV and COI. CELL II is the general partner of CEP, holding 0.09% of the partnership interests in CEP. CELL IV and Castex 2005 are CEP's limited partners. The Castex 2005 partnership units are held 99% by a number of limited partners and preferred unit holders and 1% by CELL I, the general partner. The holders of the preferred units obtained their interests in 2012. In June of 2012, Castex 2005 raised additional capital through the issuance of preferred equity units (the "Preferred Offering"). Pursuant to the Preferred Offering, Castex 2005 issued 612 preferred units, at $125,000 per preferred unit. The gross proceeds from the Preferred Offering were $76,500,000, less fees and expenses. The Castex 2005 Partnership Agreement entitles each preferred unit holder to quarterly distributions of 8% per annum if paid in cash or 10% per annum if paid in kind, payable quarterly in arrears. The last cash distribution to the preferred unit holders was made on July 1, 2015.

Each preferred unit holder, since July 1, 2016, pursuant to the Castex 2005 Partnership Agreement, has been entitled to provide written notice to the general partner (i.e., CELL I) of its election to exercise its "put right" which if exercised would create the right to have its preferred unit(s) redeemed by Castex 2005.[11] Such redemption right is an unenforceable contract right only, as Castex 2005 has since the last cash distribution (July 1, 2015) been unable to make quarterly distributions to provide the preferred return. As of the Petition Date, approximately 65.5% of the preferred units have been "put" to Castex 2005, though none have been redeemed, and such unit holders retain their units. The Castex 2005 Partnership Agreement does not

[11] Castex 2005's obligation to honor the put is subject to Castex 2005's rights and obligations under applicable Texas law and the Castex 2005 Partnership Agreement, including the right of Castex 2005 to postpone redemption for a designated period. If redemption is not consummated within this period, Castex 2005 is to use commercially reasonable efforts to provide to such preferred unit holder a production payment transaction through which the preferred unit(s) would be paid the Redemption Purchase Amount.

provide the holders of the preferred units with any right to a cash payment for the failure of Castex 2005 to honor the put.[12]

Pursuant to the Plan, all common and preferred partnership units currently owned in Castex 2005, through a series of transactions as described in the RSA, this Disclosure Statement and in the Plan (including the transactions defined in the Plan as the "Corporate Transactions"), and those other mergers, amalgamations, consolidations, arrangements, continuances, restructurings, transfers, conversions, dispositions, liquidations, dissolutions, or other corporate transactions that the Debtors reasonably determine (with the consent of the Prepetition Agent and the Required Consenting Lenders) to be necessary or desirable to implement the Plan (collectively the "Restructuring Transactions"), shall be exchanged for units in the entity described in the RSA as Castex Energy Holdings, LP ("CEH, LP"), which, prior to the issuance of the New Equity Interests under the Plan, will be the owner of Castex 2005. As the interests of CEH, LP shall be extinguished under the Plan, the current holders of Equity Interests in Castex 2005 will be left owning CEH, LP, which is to be dissolved as soon as reasonably possible after the Effective Date and after filing its final tax returns. The Equity Interests held in Castex II, Castex IV, CEP, and COI shall also be treated in accordance with the Restructuring Transactions. Briefly, the Restructuring Transactions include the Corporate Transactions, which include specifically the following steps: (i) the merger of Castex II and Castex IV into Castex 2005; (ii) the conversion of CEP into a limited liability company; (iii) the Equity Interests in COI being wholly owned by CEP; (iv) the Equity Interests in CEP being wholly owned by Castex 2005; (v) the formation of CEH LP; (vi) the formation of Castex Merger Sub LLC ("Merger Sub") as a wholly owned subsidiary of CEH LP; (vii) the merger of Merger Sub with and into Castex 2005 pursuant to which CEH LP will wholly own the Equity Interests of Castex 2005 and the owners of the Equity Interests in Castex 2005 will surrender or be deemed to have surrendered those Equity Interests in exchange for substantially similar Equity Interests in CEH LP; and (viii) the conversion of Castex 2005 to a limited liability company. These Restructuring Transactions will result in CEH LP wholly owning Castex 2005, before assigning its interests in Castex 2005 to Reorganized Castex Holdco (which will be formed to hold the ownership of Castex 2005) in return for the assumption of the Prepetition Debt. Upon exit from bankruptcy, Reorganized Castex Holdco will issue the New Equity Interests to each Holder of an Allowed RBL Secured Claim in accordance with the Plan (subject to dilution as provided for in the Plan). As of the Effective Date, Reorganized Castex Holdco shall wholly own the Equity Interests of Reorganized Castex 2005, Reorganized Castex 2005 shall own the Equity Interests of Reorganized CEP, and Reorganized CEP shall wholly own the Equity Interests of Reorganized COI.

1.7 *Other Significant Obligations.*

(a) Performance Bonds

[12] The Holders that have "put" their preferred units to Castex 2005 are considered by the Debtors to be Holders of Equity Interests. If such parties are determined to be the Holders of Claims, the Debtors consider such Claims to be Class 6 Section 510(b) Claims, and therefore subordinated to Class 4 General Unsecured Claims.

COI is required to post certain bonds as per BOEM requirements. CEI and CEP are also required to post certain bonds as per the Louisiana Department of Natural Resources, Office of Conservation ("LDNR") requirements. Other performance bonds are posted on behalf of certain entities as required per the requirements under certain acquisition documents. The Debtors presently have a combination of bonds for BOEM, LDNR, Chevron USA, Hunt Oil Company, BHP Billiton, LL&E Company, and Fieldwood Energy, LLC in the amount of $17,025,131, all underwritten by US Specialty Insurance Company, Indemco, or RLI Insurance Company. The Department of Interior Bureau of Safety and Environmental Enforcement ("BSEE") recently proposed a reassessment of potential decommissioning obligations, which could require COI to obtain additional bonding. COI has not received a demand from BOEM for additional supplemental bonding as of the filing of this Disclosure Statement. As mentioned below, the Reorganized Debtors shall maintain all bonding currently in place after the Effective Date.

(b) Royalty Obligations

To maintain its Onshore and Offshore Leasehold Interests, the Debtors must, generally, either be conducting operations or paying royalties on production to the federal government ("Lessor Royalties"). The Debtors pay monthly royalties to the federal government and remits such payments to the United States, through the Department of the Interior, Office of Natural Resources Revenue. The Debtors submit that they are current in the performance of such obligations.

In addition to these Lessor Royalties, the Debtors' properties are burdened by certain overriding royalty interests ("ORRIs"). The Lessor Royalties and the ORRIs have been paid throughout the Chapter 11 Case and the Debtors are current on these obligations.

ARTICLE II
EVENTS LEADING TO CHAPTER 11

2.1 *Distress in the Oil and Gas Sector*

Over the last decade, in part due to the development of fracking technology, the production of oil and gas in the U.S. has increased significantly. In 2014, oil and gas prices began a steep decline. In the first half of 2016, the price of oil reached a near thirteen-year low of below $30/barrel and natural gas prices fell below $2.00/MMbtu. Since this time, the prices of oil and gas have remained depressed. Futures prices suggest that the price of both oil and gas may remain low for the foreseeable future. Upstream energy companies have been especially hard hit, as asset value and cash flow are closely tied to commodity prices. Energy companies have been especially hard hit in the credit markets and financing alternatives for middle market companies in the energy sector have become tenuous. The decline in oil and gas prices has placed substantial pressure on oil and gas companies and caused a substantial decrease in exploration, new drilling, and new production. The decrease in the price of oil and natural gas, along with the natural decline in production and limited new drilling activity resulted in a significant reduction in the Debtors' revenue and EBITDA, which declined approximately 60% and 70%, respectively, from FY 2014 to FY 2016.

In 2014, CEP (and COI) initiated an exploration and development program deemed timely because of then-prevailing commodity prices and invested $259 million (net of asset sales), yielding mixed results. Much of the investment during this period focused on high cost, long-lead time investments in offshore infrastructure in anticipation of future developmental drilling. From July 2014 to April 2016, natural gas prices fell from $4.40/MMbtu to less than $2.00/MMbtu; CEP was only mildly hedged and therefore was exposed to this drop. CEP also suffered extensive damage to its financial condition because of what the Debtors perceive to have been Apache's gross negligence and fraudulent inducement in connection with the construction of a production handling facility and also multiple re-drills of a well in one of its most profitable fields ultimately costing CEP the claimed millions in damages and also loss of reserves forever (*see* Apache Litigation discussion *supra* at 1.6(b)).

2.2 *Prepetition Secured Parties Negotiations and Marketing Process*

Over the last 2 years, management has conducted extensive efforts to bring forward multiple out-of-court strategies/restructuring options to the Prepetition Secured Parties. For instance, in 2015, the Debtors proposed raising a HoldCoTerm Loan ("HCTL") that would have (i) redeemed half of the Preferred Units of Castex 2005 at par + make-whole value, (ii) paid down the Credit Facility and (iii) provided drilling/acquisition capital. The syndication fell apart and HCTL transaction did not ultimately close (*see* Benefits Street Partners discussion *sup*ra at 1.6(b)).

Following the collapse of the HCTL deal, CEP faced a $50 million borrowing base deficiency payment to the Prepetition Secured Parties. In a good faith, arm's length transaction for reasonably equivalent value, Castex 2014 offered to acquire $50 million of CEP assets in a "Slice Sale" that was also offered pro rata to all Castex 2005 limited partners. In February 2016, the Slice Sale closed, resulting in a conforming borrowing base.[13] A subsequent borrowing base redetermination resulted in at least a $150 million borrowing base deficiency. In April 2016 following the borrowing base redetermination, the Debtors approached the Prepetition Secured Parties with a plan to reduce the Secured Debt by an additional $100 million via asset sales and cash flow. This plan did not generate the requisite lender support, and the Debtors thereafter explored a "global solution" involving either (i) a merger and acquisition deal with an affiliated partnership or (ii) an arm's length, third party equity solution.

Despite exploring multiple transactions, the various constituents were not able to obtain the requisite approvals for a workable path forward. As a result, CEP has been unable to fully align its operating costs, debt service, and other expenses with the economic realities of its current capital structure. The Debtors have also become unable to satisfy certain covenants and obligations in connection with the Prepetition Credit Agreement. Further, refinancing the CEP debt was not feasible under current market conditions. Thus, as previously mentioned, the Debtors engaged Evercore in late July 2016 to explore strategic alternatives. Evercore's initial assessment suggested that due to the overall debt burden and asset value, any transaction would require significant concessions from the Prepetition Secured Parties. The Prepetition Secured Parties subsequently retained RPA.

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13 Certain Castex 2005 limited partners participated in the Slice Sale.

In September 2016, CEP proposed, with approval of Castex 2005, that it sell 80% of its prospect inventory to new investors for cash and an override. The plan is referred to here as the "DrillCo Plan." The terms and conditions of the DrillCo Plan were reduced to a formal amendment to the Prepetition Credit Agreement which would direct management to execute on the DrillCo Plan. The DrillCo Plan required unanimous lender approval due to the extension of the Prepetition Credit Agreement maturity date. The Debtors were unable to obtain the requisite approval and therefore could not consummate the DrillCo Plan.

In February 2017, in exchange for further financial accommodations from the Prepetition Secured Parties (at this point, for example, the Prepetition Secured Parties had agreed to extend the due date for the Debtors' $150 million borrowing base deficiency for several months), the Debtors agreed to conduct a marketing process for the CEP assets (the "Marketing Process"). In March and April 2017, Evercore conducted the Marketing Process in accordance with a mutually agreeable bid protocol. The Marketing Process was well attended (55 parties contacted, 17 executed non-disclosure agreements executed, and 12 management presentations) with an audience that incorporated onshore and offshore industry players, financial firms, and buyers of debt. Non-binding bids for certain packages of onshore assets were received but no proposals were submitted for the Debtors' offshore assets. Through presentations from, and on-going discussions between Evercore and the Prepetition Secured Parties' advisors, the Prepetition Secured Parties were consistently and routinely informed of the Marketing Process.

Following the outcome of the Marketing Process, the Debtors offered to recommence work on a new version of the DrillCo Plan and buy out certain of the Prepetition Secured Parties. The Debtors also offered their continued cooperation and to raise capital to support an in-court solution. On May 1, 2017, the Prepetition Secured Parties informed the Debtors that an out-of-court solution, including the DrillCo Plan, with an extension of the July 2017 maturity date under the prepetition credit facility, would not obtain the requisite approvals from the Prepetition Secured Parties. As a result, the Debtors with the assistance of their advisors focused on negotiating a consensual transaction with the Prepetition Agent and the Prepetition Secured Parties to address the Debtors' significant liquidity challenges as well as comprehensively restructure the Debtors' obligations via an in-court process. These discussions eventually led to the RSA between the Debtors, the Prepetition Secured Parties, CELL I, and CEI.

2.3 *Restructuring Support Agreement and Plan Term Sheet*

After nearly two years of attempts to deal with the problematic pricing environment and resultant challenged capital structure, and after the sale process that yielded no solution, the Debtors, a super majority of the Prepetition Secured Parties, CELL I, and CEI agreed to the consensual restructuring transaction set forth in the RSA that incorporates a term sheet outlining the key provisions of a plan of reorganization for the Debtors, which has evolved into the Plan. A key element of the Plan is the conversion of a substantial portion of the Debtors' outstanding prepetition bank debt into the new Equity Interests. The RSA contemplates the following key components, among others, of the Plan:

- Restructuring Transactions, including the Corporate Transactions resulting in the merger of CELL II and CELL IV into Castex 2005; the conversion of CEP into a limited liability company; the Equity Interests in COI being wholly owned by CEP; the Equity Interests in CEP being wholly owned by Castex 2005; the merger of Merger Sub with and into Castex 2005 pursuant to which CEH LP will wholly own the Equity Interests of Castex 2005 and the owners of the Equity Interests in Castex 2005 will surrender those Equity Interests in exchange for substantially similar Equity Interests in CEH LP; and the conversion of Castex 2005 into a limited liability company.

- The transfer by CEH LP of all of the Equity Interests in Castex 2005 to Reorganized Castex Holdco in exchange for the assumption by Reorganized Castex Holdco of all of the Prepetition Debt.

- Each Holder of an RBL Secured Claim shall receive its pro rata share of 100% of the Equity Interests in Reorganized Castex Holdco, subject to reduction by the General Equity Pool and dilution by the DIP Lenders' DIP Equity Share and by the Management Incentive Plan. Further, if such Holder votes to accept the Plan and does not elect to opt out of the releases set forth in the Plan, it shall receive its Pro Rata share of up to $90 million of loans and up to $105 million of commitments under the reserve-based lending facility under the Exit Credit Agreement and its Pro Rata share of up to $55 million of term loans under the Exit Credit Agreement; if such Holder (i) abstains from voting on the Plan, (ii) votes to reject the Plan, or (iii) votes to accept the Plan but elects to opt out of the releases set forth in the Plan, it shall receive its Pro Rata share of an aggregate principal amount of Exit Senior Secured Term Loans.

- Each holder of an allowed General Unsecured Claim shall receive its pro rata share of the General Equity Pool; *provided*, *however*, that if each class of General Unsecured Claims accepts the Plan, (i) the distribution of New Equity Interests to the DIP Lenders and to holders of RBL Secured Claims shall not be subject to dilution by the General Equity Pool and (ii) each RBL Lender voting to accept the plan and not electing to opt out of the releases set forth in the Plan shall waive any recovery or distribution on account of (but not voting rights in respect of) its allowed RBL Deficiency Claim for the benefit of the Beneficiary Claimants such that each Beneficiary Claimant shall not receive any distribution on account of its allowed General Unsecured Claim other than cash in the amount of the lesser of (i) the allowed amount of its General Unsecured Claim and (ii) its pro rata share of $500,000.

- Except as necessary to implement the Restructuring Transactions, Equity Interests in Castex 2005 shall be deemed canceled and extinguished, and shall be of no further force and effect, and Equity Interests in CELL II, CELL IV, CEP, and COI shall be treated in accordance with the Restructuring Transactions.

- The Shared Services Agreement shall be assumed by the Debtors on the Plan Effective Date, subject to certain amendments, including the New Shared Services Agreement Termination Right, the modification of the Shared Services Agreement Monthly Fee and redetermination of same, and the treatment of CEI's Cure Claim and right to a Success Fee in the event of a Success Fee Sale or Refinancing.

- The assumption of JOAs, Leasehold Interests (to the extent assumable under section 365 of the Bankruptcy Code) and various other contracts.

- Modification of the exit capital structure to allow for maintenance of development potential with respect to the assets of the reorganized companies.

- The reservation of twelve percent (12%) of New Equity Interests for a Management Incentive Plan, as provided in the RSA and the Plan.

- The New Board for each of the reorganized Debtors shall initially consist of five (5) members as follows: (i) four members shall be selected by the DIP Agent and the Required Consenting Lenders; and (ii) one member (A) shall be an executive officer of the reorganized Debtors and (B) shall be proposed by CEI, whose appointment to the New Board shall be acceptable to the DIP Agent and the Required Consenting Lenders (such consent not to be unreasonably withheld).

The Plan also contains certain releases, including releases between the Debtors and Reorganized Debtors, on the one hand, and certain "Released Parties" on the other hand. The Released Parties under the Plan include the RSA Parties, the DIP Agent, the DIP Lenders, the Prepetition Agent, and the Prepetition Secured Parties and their representatives, advisors, Affiliates, and agents. The Plan also provides that each Holder of a claim or an interest that (i) votes to accept or is deemed to accept the Plan or (ii) votes to reject the Plan, is deemed to reject the Plan, or is in a voting class that abstains from voting on the Plan but does not elect to opt out of the release provisions contained in Article XII of the Plan, will be deemed to be Releasing Parties.

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided pursuant to the Plan, the provisions of the Plan will constitute a good-faith compromise and settlement of all claims, interests, and controversies relating to the Debtors. The Debtors believe that the RSA (and the Plan which is premised on it) is the best opportunity for the Debtors to reorganize under a chapter 11 plan as a going concern, continue their day-to-day operations substantially as currently conducted, and exit chapter 11 with a new capital structure and more appropriate leverage.

The RSA does not represent a vote for acceptance of the Plan or a solicitation by any party of votes for acceptance of the Plan. The RSA includes and incorporates a Plan Term Sheet. Since execution of the RSA, the Plan Proponents have worked together to formulate the Plan and in providing assistance to the Debtors in formulating this Disclosure Statement. To the extent there are differences between the Plan and the Plan Term Sheet, the Plan governs.

2.4 *The DIP Facility*

While the Debtors were negotiating the terms of the RSA, they also were in discussions with the Prepetition Secured Parties over the terms of a debtor-in-possession facility. These discussions resulted in the negotiation of the DIP Facility. The DIP Facility provides the Debtors with postpetition financing in the form of a senior secured, superpriority revolving credit facility in the aggregate principal amount of $15 million, as well as consensual use of the Prepetition Secured Parties' cash collateral. Based on the analysis of the Debtors' management team and advisors, the Debtors determined that the DIP Facility was on the most favorable terms available in light of the Debtors' circumstances as well as the current market for DIP financing. The Debtors and their advisors concluded that the DIP Facility would provide the Debtors with sufficient liquidity to transition into the Chapter 11 Cases smoothly and implement the restructuring contemplated by the RSA.

ARTICLE III
KEY EVENTS DURING CHAPTER 11 CASES

Since the Petition Date, the Debtors have continued to operate their businesses and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The following is a general summary of the Chapter 11 Cases.

3.1 *First Day Pleadings*

On the Petition Date, along with their voluntary petitions for relief under chapter 11 of the Bankruptcy Code (the "Petitions"), 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 vendors and royalty owners following the commencement of the Chapter 11 Cases. These First Day Motions requested, among other things, authority to (i) jointly administer the Chapter 11 Cases for procedural purposes only; (ii) continue to operate the Debtors' existing cash management system and continue the use of existing bank accounts and business forms; (iii) continue prepetition insurance coverage and related practices; (iv) pay certain owners of royalty and working interests in the Debtors' leaseholds and pay the costs and expenses of maintaining the leases; and (v) continue the Shared Services Agreement in the ordinary course of business. A brief description of each of the First Day Motions and the evidence in support thereof is set forth in the *Declaration of Aaron Killian, Vice President and Chief Financial Officer of the Castex Debtors, In Support of the Chapter 11 Petitions and First-Day Motions* (the "First Day Declaration") and as amended [Dkt. No. 3 and Dkt. NO. 102 for the Amended Declaration], Significantly, pursuant to the First Day Motions, the Debtors sought and were granted the authority to pay the Claims of a number of their vendors in full, in the ordinary course of business.

On October 18, 2017, the Bankruptcy Court entered orders approving the First Day Motions on either an interim or final basis. A final hearing to approve certain of the First Day

Motions was held on November 8, 2017. The First Day Motions, and all orders for relief granted in the Chapter 11 Cases, can be viewed free of charge at https://cases.primeclerk.com/castex.

3.2 *Debtor In Possession Financing*

The Debtors lacked the requisite liquidity to fund a pre-negotiated deal with their Prepetition Secured Parties. Accordingly, the Debtors undertook extensive efforts prior to filing to secure the most favorable debtor in possession financing ("DIP Financing"). For the Debtors, the DIP Financing was not only critical to fund the Debtors' operations during the Chapter 11 Cases but also to provide them liquidity to pursue a chapter 11 plan. The Debtors negotiated with the Prepetition Secured Parties, the Prepetition Agent, and various third parties to secure DIP Financing while attempting to continue overall restructuring discussions with the lenders on a parallel path. In looking at financing alternatives, the Debtors put a premium on a consensual deal that allowed all bank lenders to participate while giving the Debtors the ability to propose and consummate a chapter 11 plan of reorganization on reasonable timeframes.

In an effort to get to a consensual deal that avoided a costly priming fight, the Debtors initiated a dialog with the Prepetition Agent and its advisors for purposes of negotiating a postpetition DIP Facility, including new liquidity and the use of Cash Collateral. In addition, the Debtors, with the assistance of Evercore, once again approached the marketplace, albeit a smaller universe of potential third party lenders than were contacted in the earlier processes, to solicit interest in a DIP Financing either on an unsecured basis or secured by liens junior in priority to the Secured Debt. No third party lenders were willing to provide postpetition financing to the Debtors on this basis. The discussion and negotiations with Prepetition Agent, the Prepetition Secured Parties and their advisors yielded the Debtor-In-Possession Credit Agreement (the "DIP Credit Agreement").

On the Petition Date, the Debtors filed the Debtors' *Motion for Entry of Interim and Final Orders (I) Authorizing Debtors to (A) Obtain Priming and Superpriority Postpetition Financing Pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) and 364(e) and (B) Use Cash Collateral Pursuant to 11 U.S.C. § 363, (II) Granting Adequate Protection Pursuant to 11 U.S.C. §§ 361, 362, 363, and 364, (III) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(b) and (c) and (IV) Granting Related Relief* (the "DIP Motion") [Dkt. No. 6] requesting authority to enter into the DIP Financing offered by the DIP Lenders.

On October 18, 2017, the Bankruptcy Court entered the Interim DIP Financing Order [Dkt. No. 35]. A final hearing to approve the Final DIP Financing Order was scheduled for November 14, 2017, at which time the Bankruptcy Court approved the Final DIP Financing Order, which authorizes the Debtor to borrow up to $15,000,000 from the DIP Lenders and grants the DIP Lenders super-priority administrative claim pursuant to section 364(c)(1) of the Bankruptcy Code and the DIP Liens, which is a first lien on substantially all assets of the Debtors (the "DIP Collateral").

The Debtors have been operating under the Interim and Final DIP Financing Orders pursuant to a set of rolling budgets as provided for in the Interim and Final DIP Financing

Orders. The most recent budget ("Cash Flow Budget"), which projects through January 14, 2018, is attached to this Disclosure Statement as **Exhibit E**. The DIP Facility contains Plan milestones requiring an expedited exit from chapter 11. Pursuant to the Plan milestones, the Debtors are required to obtain approval of the Disclosure Statement and Plan solicitation procedures by January 5, 2018 and to obtain Entry of the Confirmation Order by March 9, 2018. Further, the deadline for the Effective Date is ten (10) days after entry of the Confirmation Order.

3.3 *Retention of Professionals*

The Debtor also filed several applications and obtained authority to retain various professionals to assist the Debtors in carrying out their duties under the Bankruptcy Code as debtors-in-possession in these Chapter 11 Cases. The Bankruptcy Court approved the retention and employment of the following professionals and advisors:

- Kelly Hart & Pitre ("Kelly Hart") as counsel for the Debtors [Dkt. No. 117];
- Alvarez & Marsal North America, LLC ("Alvarez") as restructuring advisors to the Debtors [Dkt. No. •];
- Evercore Group L.L.C. ("Evercore") as investment banker for the Debtors [Dkt. No. •]; and
- Paul Hastings LLP as special tax and corporate counsel for the Debtors [Dkt. No. •].

On December [•], 2017, the Bankruptcy Court entered an order pursuant to sections 105(a) and 331 of the Bankruptcy Code *Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals* [Dkt. No. •].

3.4 *Other Motions*

The Debtors also filed several other motions subsequent to the Petition Date, including motions intended to further facilitate the smooth and efficient administration of the Chapter 11 Cases and reduce the administrative burdens associated therewith. These motions include:

- Ordinary Course Professionals Motion. On October 26, 2017, the Debtors Filed the *Debtors' Motion for Entry of an Order Authorizing Debtors to Retain and Compensate Professionals Utilized in the Ordinary Course of Business, Effective Nunc Pro Tunc to the Petition Date* [Dkt. No. 66] (the "OCP Motion"), requesting entry of an order that, among other things, establishes procedures for the retention and compensation of certain professionals utilized by the Debtors in the ordinary course operation of their businesses Debtors reserve the possibility of certain of the entities covered by the OCP Motion may file separate retention applications.
- Interim Compensation Procedures Motion. On October 26, 2017, the Debtors Filed the *Debtors' Motion for Entry of an Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses for Professionals* [Dkt. No. 67] (the

"Interim Compensation Motion"), requesting entry of an order that, among other things, sets forth the procedures for the interim compensation and reimbursement of expenses of retained Professionals in the Chapter 11 Cases.

3.5 *Appointment of Official Creditors' Committee*

On October 27, 2017, the U.S. Trustee Filed the *Notice of Appointment of Committee of Unsecured Creditors* [Dkt. No. 69], notifying parties of the appointment by the U.S. Trustee of the Creditors' Committee in the Chapter 11 Cases. The Creditors' Committee is currently composed of the following members: (a) Apache Corporation; (b) Fieldwood Energy, LLC; and (c) Benefit Street Partners, LLC. As of the date of this Disclosure Statement the Debtors have and will continue to reserve all rights with respect to the continued existence of the Committee and the make-up of the Creditors' Committee.

3.6 *Bankruptcy Schedules and Statement of Financial Affairs*

On November 15, 2017, the Debtors filed their Schedules of Assets and Liabilities (the "Schedules") and Statements of Financial Affairs (the "Statements") in compliance with section 521 of the Bankruptcy Code and Rule 1007 of the Federal Rules of Bankruptcy Procedure [Dkt Nos. 129–139]. The Schedules and Statements set forth, among other things, the Debtors' assets and liabilities, current income and expenditures, and executory contracts and unexpired leases. The Debtors' Schedules and Statements can be downloaded free of charge at https://cases.primeclerk.com/castex.

3.7 *Executory Contracts*

Prior to the Petition Date and in the ordinary course of business, the Debtors entered into certain executory contracts and unexpired leases. The Debtors, with the assistance of their advisors, are reviewing the xecutory Contracts and unexpired Leases to identify contracts and leases to either assume or reject pursuant to sections 365 or 1123 of the Bankruptcy Code.

The Plan provides that any executory contracts and unexpired leases not rejected during the Chapter 11 Cases or as part of the Plan will be assumed by the Reorganized Debtors. To ensure that counterparties to executory contracts and unexpired leases receive notice of assumption or rejection of their executory contract or unexpired lease (and any corresponding Cure Claim) pursuant to the Plan, the Debtors will mail an Assumption Notice (substantially in the form attached to the Disclosure Statement Order), within the time periods specified in the Disclosure Statement Order. A Schedule of Rejected Contracts and Leases will be filed with the Plan Supplement. The Plan also provides for specific treatment of the Leasehold Interests as regards Leasehold Interests under Offshore Leases with the United States and the State of Louisiana (*see* discussion within Article IV Section 4.7(e) below).

3.8 *Litigation Matters and Disputed Claims*

In the ordinary course of business, the Debtors are parties to a number of lawsuits, legal proceedings, collection proceedings, and claims arising out of their business operations. The

Debtors cannot predict with certainty the outcome of these lawsuits, legal proceedings, and claims.

With certain exceptions, the Filing of the Chapter 11 Cases operates as a stay with respect to the commencement or continuation of litigation against the Debtors that was or could have been commenced before the commencement of the Chapter 11 Cases. In addition, the Debtors' liability with respect to litigation stayed by the commencement of the Chapter 11 Cases generally is subject to discharge, settlement, and release upon confirmation of a plan under chapter 11, with certain exceptions. Therefore, certain litigation Claims against the Debtors may be subject to discharge in connection with the Chapter 11 Cases.

Following commencement of the Chapter 11 Cases, certain litigation counterparties have filed, or may file in the future, requests to modify or lift the automatic stay to continue pursuing their prepetition litigation against the Debtors. The Debtors will evaluate all such requests for relief from the automatic stay on a case-by-case basis and object or resolve on a consensual basis, as appropriate. The Debtors refer interested parties to the discussion of the Disputed Claims for a description of the legal proceedings pending against the Debtors as of the Petition Date. As well, the Debtors reserve the right to seek relief from stay to allow current (and future, if any) litigation to go forward in courts other than the Bankruptcy Court, such that the Debtors' claims can be resolved and any claims against the Debtors arising in such litigation can be determined in such court(s). The Debtors reserve all rights, including those regarding and under (i) jury trial rights with respect to claims held by the Debtors and (ii) removal, remand or abstention statutes with respect to such claims.

3.9 *Claims Bar Date*

The Bankruptcy Court entered the *Amended Order Granting Complex Chapter 11 Bankruptcy Case Treatment and Order Setting Proof of Claim Bar Dates* (the "Bar Date Order"), on October 18, 2017 [Dkt No. 30]. The Bar Date Order requires, among other things, all persons and entities (except governmental units) holding or wishing to assert a claim against the Debtors to file a proof of claim on or before December 20, 2017 (the "General Bar Date"). Governmental units must file proofs of claim by April 14, 2018.

3.10 *Shared Services Agreement Assumption and CEI Cure Claim*

The Plan includes certain provisions regarding the Shared Services Agreement with CEI. The Shared Services Agreement shall be assumed by the Debtors on the Effective Date, subject to certain amendments more fully described in Article 6.12 of the Plan. CEI shall receive no other or further consideration on account of the CEI Cure Claim except as provided for in the Plan. Amounts due and payable in the ordinary course of business under the Shared Services Agreement (other than, for the avoidance of doubt, the CEI Cure Claim) shall be paid in accordance with the Shared Services Agreement pending the Plan Effective Date, and any such amounts not paid as of the Plan Effective Date, shall be paid on the Plan Effective Date or as soon as practicable thereafter (with the consent of the DIP Agent and the Required Consenting Lenders, such consent not to be unreasonably withheld), prior to the effectiveness of the New Shared Services Agreement.

ARTICLE IV
SUMMARY OF THE PLAN

4.1 *Introduction*

THE SUMMARY OF THE PLAN SET FORTH BELOW IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE PLAN. THIS SUMMARY DOES NOT INCLUDE REFERENCE TO EACH AND EVERY SECTION OR SUBSECTION OF THE PLAN. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE PROVISIONS OF THE PLAN AND THE SUMMARY CONTAINED HEREIN, THE TERMS OF THE PLAN WILL GOVERN. CREDITORS ARE ENCOURAGED TO THOROUGHLY REVIEW THE TERMS OF THE PLAN AND TO SEEK INDEPENDENT LEGAL OR FINANCIAL ADVICE REGARDING THE TERMS OR TREATMENT CONTAINED THEREIN.

4.2 *Administrative Claims, Professional Fees, and Priority Tax Claims*

As provided in section 1123(a) of the Bankruptcy Code, Administrative Expense Claims (including Professional Fee Claims) under section 507(a)(2) of the Bankruptcy Code, and Priority Tax Claims under section 507(a)(8) of the Bankruptcy Code are not classified for purposes of voting on, or receiving Distributions under the Plan. Holders of Administrative Expense Claims (including Professional Fee Claims) and Priority Tax Claims are not entitled to vote on the Plan but, rather, are treated separately in accordance with Article II of the Plan and under sections 1129(a)(9)(A) and (C) of the Bankruptcy Code. There are no Priority Claims under section 507(a)(1) of the Bankruptcy Code or Priority Claims under sections 507 (a)(6) or (a)(7) of the Bankruptcy Code. In the event there are Allowed Claims under sections 507(a)(4) and/or (5) of the Bankruptcy Code, such Non-Tax Priority Claims will not be classified as a Class for treatment, but any such Allowed Claims will be paid as provided below.

(a) <u>Timing and Treatment of Administrative Expense Claims and Professional Fees</u>

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

All Professionals seeking payment of an Administrative Expense Claim ("Fee Claim") shall file their respective final applications for allowances of compensation for services rendered and reimbursement of expenses incurred through the Effective Date **within forty-five (45) days after the occurrence of the Effective Date**. If Allowed, such Fee Claim shall be paid in full in such amounts as are Allowed by the Bankruptcy Court (i) on the date such Fee Claim becomes Allowed, or as soon thereafter as is practicable or (ii) upon such other terms as may be mutually agreed upon between the Holder of such Fee Claim and the Debtors or, on and after the Effective Date, the Reorganized Debtors (in consultation with the Prepetition Agent and the Required Consenting Lenders).

The Reorganized Debtors may pay retained Professionals or other Entities in the ordinary course of business after the Effective Date (in consultation with the Prepetition Agent and the Required Consenting Lenders), without further Bankruptcy Court Order; and provided, further, that any Professional who may receive compensation or reimbursement of expenses pursuant to the Ordinary Course Professionals Order may continue to receive such compensation or reimbursement of expenses for services rendered before the Effective Date, without further Bankruptcy Court Order, pursuant to the Ordinary Course Professionals Order. Objections to any Fee Claim must be Filed and served on the Reorganized Debtors and the requesting party no later than twenty (20) days after such Fee Claim is Filed with the Bankruptcy Court. To the extent necessary, the Plan and the Confirmation Order shall amend and supersede any previously entered order regarding the payment of Fee Claims. Within ten (10) days after entry of a Final Order with respect to its final fee application, each Professional shall remit any overpayment to the Reorganized Debtors and the Reorganized Debtors shall pay any unpaid amounts to each Professional.

An Administrative Expense Claim with respect to which notice has been properly filed and served shall become an Allowed Administrative Expense Claim only to the extent Allowed by Final Order not made the subject of appeal, or as such Claim is settled, compromised, or otherwise resolved.

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

Total Fee Claims through the Effective Date have not been finalized, and can only be estimated at this time. However, the Debtors have projected the Fee Claims through March 31, 2018 within the Budget attached hereto as **Exhibit E**. There could be Fee Claims over and above those shown on **Exhibit E**, but any such excess Fee Claims that would remain unpaid as of the date on which the Debtors expect the Effective Date to occur would not be material. The Debtors expect that any non-budgeted Fee Claims that would remain unpaid would not exceed $[INSERT].

(b) Treatment of Allowed Priority Tax Claims

Except to the extent that a Holder of an Allowed Priority Tax Claim agrees to a less favorable treatment, each Holder of an Allowed Priority Tax Claim against the Debtors shall receive, in full and complete settlement, release, and discharge of such Claim, Cash equal to the unpaid amount of such Allowed Priority Tax Claim on the latest of (a) the Effective Date or as soon thereafter as reasonably practicable; (b) thirty (30) days after the date on which such Priority Tax Claim becomes Allowed; (c) the date on which such Priority Tax Claim becomes due and payable; and (d) such other date as may be mutually agreed to by and among such Holder and the Debtors or the Reorganized Debtors (in consultation with the Prepetition Agent and the Required Consenting Lenders); *provided*, *however*, that the Reorganized Debtors shall be authorized, at their option (in consultation with the Prepetition Agent and the Required Consenting Lenders), and in lieu of payment in full, in Cash, of an Allowed Priority Tax Claim as provided above, to make deferred Cash payments on account thereof in the manner and to the extent permitted under section 1129(a)(9)(C) of the Bankruptcy Code.

(c) UST Fees

All fees payable under section 1930 of title 28 of the United States Code shall be paid in Cash in full by the Debtors as they come due pending the Effective Date and thereafter shall be paid by the Reorganized Debtors as they come due until the issuance of the Final Decree. The Confirmation Order may provide that the Reorganized Debtors reserve the right to request the Chapter 11 Cases be administratively closed after the Effective Date, pending the Final Decree. The Debtors have been paying its ongoing expenses in the ordinary course of business and is current on its payment obligations to the UST.

4.3 *Treatment of Allowed DIP Claims*

On the Effective Date, except to the extent that the Holder of a DIP Claim agrees to less favorable treatment, in exchange for the full and complete settlement, release, and discharge of such Claim (subject to the last sentence of this Article), each Holder of a DIP Claim shall receive (i) an amount in Cash equal to its Pro Rata share of the Allowed amount of all accrued and unpaid interest, fees, and penalties under the DIP Loan Documents as of the Effective Date, (ii) a principal amount of term loans under the Exit Credit Agreement equal to its Pro Rata share of the Allowed amount of all outstanding principal loans under the DIP Credit Agreement as of the Effective Date, and (iii) its DIP Equity Share. The Debtors' contingent or unliquidated obligations under the DIP Loan Documents constituting DIP Claims, to the extent not indefeasibly paid in full in Cash on the Effective Date or otherwise satisfied by the Debtors in a manner acceptable to the DIP Agent, any affected DIP Lender, or any other Holder of a DIP Claim, as applicable, shall survive the Effective Date and shall not be released or discharged pursuant to the Plan or Confirmation Order, notwithstanding any provision hereof or thereof to the contrary. Notwithstanding the foregoing, all unpaid reasonable and documented fees and expenses of the professional advisors retained by the DIP Agent, any DIP Lender, or any other DIP Secured Party, shall be paid in Cash in full on the Effective Date (or such earlier date as provided in the DIP Orders) without requirement of application to or approval by the Bankruptcy Court.

4.4 *Classification and Treatment of Claims and Interests*

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

Class	Claims and Interests	Status	Voting Rights
1	Other Secured Claims	Unimpaired	Deemed to Accept
2	Priority Non-Tax Claims	Unimpaired	Deemed to Accept
3	RBL Secured Claims	Impaired	Entitled to Vote
4	General Unsecured Claims	Impaired	Entitled to Vote
5	Intercompany Claims	Unimpaired/ Impaired	Deemed to Accept or Reject
6	Section 510(b) Claims	Impaired	Deemed to Reject
7	Equity Interests in Castex 2005	Impaired	Deemed to Reject

4.5 *Plan Classification and Treatment Summary*

(a) Other Secured Claims (Class 1).

Classification. Class 1 consists of all Other Secured Claims.

Treatment. Except to the extent that a Holder of an Allowed Other Secured Claim agrees to less favorable treatment, on the Effective Date or as soon thereafter as practicable, each Holder of an Allowed Other Secured Claim shall receive, at the option of the applicable Debtor(s) (in consultation with the Prepetition Agent) and in full and complete settlement, release, and discharge of, and in exchange for, such Claim (i) payment in full in Cash; (ii) delivery of collateral securing any such Claim; (iii) reinstatement pursuant to section 1124 of the Bankruptcy Code; or (iv) other treatment rendering such Claim Unimpaired.

Impairment and Voting. Class 1 is Unimpaired. Holders of Claims in Class 1 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

(b) Priority Non-Tax Claims (Class 2).

Classification. Class 2 consists of all Priority Non-Tax Claims.

Treatment. Except to the extent that a Holder of an Allowed Priority Non-Tax Claim agrees to less favorable treatment, on the Effective Date or as soon thereafter as practicable, each Holder of an Allowed Priority Non-Tax Claim shall receive, at the option of the applicable Debtor(s) (in consultation with the Prepetition Agent) and in full and complete settlement, release, and discharge of, and in exchange for, such Claim (i) payment in full in Cash; or (ii) other treatment rendering such Claim Unimpaired.

Impairment and Voting. Class 2 is Unimpaired. Holders of Claims in Class 2 are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

(c) RBL Secured Claims (Class 3).

Classification. Class 3 consists of all RBL Secured Claims.

Allowance. RBL Secured Claims are Allowed in the aggregate amount of $[●].

Treatment. On the Effective Date or as soon thereafter as practicable, each Holder of an Allowed RBL Secured Claim shall receive, in full and complete settlement, release, and discharge of, and in exchange for, such Claim—

- after allocation and reservation for the General Equity Pool (if applicable) and the Management Incentive Plan, its Pro Rata share of 100% of the remaining Equity Interests in Castex 2005 or a newly formed holding company acceptable to the Prepetition Agent and the Required Consenting Lenders (such holding company, "**Reorganized Castex Holdco**," and such Equity Interests in Reorganized Castex 2005 or Reorganized Castex Holdco, as the case may be, the "**New Equity Interests**"), subject to dilution by each DIP Lender's DIP Equity Share; and the following commitments and/or loans:
    - if such Holder votes to accept the Plan and does not elect to opt out of the releases set forth in the Plan, its Pro Rata share of $90 million of loans and $105 million of commitments under the reserve-based lending facility under the Exit Credit Agreement and its Pro Rata share of $55 million of term loans under the Exit Credit Agreement (in each case subject to reduction in accordance with "Schedule 1" to the Plan Term Sheet); or

- if such Holder (A) abstains from voting on the Plan, (B) votes to reject the Plan, or (C) votes to accept the Plan but elects to opt out of the releases set forth in the Plan, its Pro Rata share of an aggregate principal amount of Exit Senior Secured Term Loans determined in accordance with "Schedule 2" to the Plan Term Sheet.

Impairment and Voting. Class 3 is Impaired. Holders of Claims in Class 3 are entitled to vote to accept or reject the Plan.

(d) General Unsecured Claims (Class 4).

Classification. Class 4 consists of all General Unsecured Claims.

Allowance. RBL Deficiency Claims are allowed in the aggregate amount of $[●].

Treatment. Except to the extent that a Holder of an Allowed General Unsecured Claim agrees to less favorable treatment, each Holder of an Allowed General Unsecured Claim shall receive, in full and complete settlement, release, and discharge of, and in exchange for, such Claim, its Pro Rata share of the General Equity Pool, which distribution of New Equity Interests shall be made in accordance with Article 8.8 of the Plan; *provided*, *however*, that if each Class of General Unsecured Claims accepts the Plan, (i) the distribution of New Equity Interests to the DIP Lenders and to the Holders of RBL Secured Claims shall not be subject to dilution by the General Equity Pool and (ii) each Prepetition Lender voting to accept the Plan and not electing to opt out of the releases set forth in the Plan shall waive any recovery or distribution on account of (but not voting rights in respect of) its Allowed RBL Deficiency Claim for the benefit of Holders of other Allowed General Unsecured Claims (collectively, the "Beneficiary Claimants") such that each Beneficiary Claimant shall not receive any distribution on account of its Allowed General Unsecured Claim other than Cash in an amount equal to the lesser of (i) the Allowed amount of its General Unsecured Claim and (ii) its Pro Rata share of the General Unsecured Claims Cash Distribution, which distribution of Cash shall be made in accordance with Article 8.8 of the Plan.

Impairment and Voting. Class 4 is Impaired. Holders of Claims in Class 4 are entitled to vote to accept or reject the Plan.

(e) Intercompany Claims (Class 5).

Classification. Class 5 consists of all Intercompany Claims.

Treatment. On the Effective Date, Allowed Intercompany Claims shall be, at the option of the Debtors (with the consent of the Prepetition Agent and the Required Consenting Lenders), (i) reinstated and treated in the ordinary course of business; or (ii) cancelled and discharged without any distribution on account of such Claims.

Impairment and Voting. Claims in Class 5 are Unimpaired if reinstated or Impaired if cancelled. Holders of Claims in Class 5 are conclusively presumed to have accepted or rejected

the Plan pursuant to section 1126(f) or section 1126(g) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

(f) Section 510(b) Claims (Class 6).

Classification. Class 6 consists of all Section 510(b) Claims.

Treatment. On the Effective Date, each Section 510(b) Claim shall be cancelled, discharged, released, and extinguished, and there shall be no distribution to Holders of Section 510(b) Claims on account of such Claims.

Impairment and Voting. Class 6 is Impaired. Holders of Claims in Class 6 are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

(g) Equity Interests in Castex 2005 (Class 7).

Classification. Class 7 consists of all Equity Interests in Castex 2005.

Treatment. Except to the extent necessary to implement the Restructuring Transactions, on the Effective Date, all Equity Interests in Castex 2005 shall be cancelled and extinguished, and shall be of no further force and effect, without further notice, approval, or action, whether surrendered for cancellation or otherwise, and there shall be no distribution to Holders of Equity Interests in Castex 2005 on account of such Equity Interests.

Impairment and Voting. Class 7 is Impaired. Holders of Equity Interests in Class 7 are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code, and accordingly, are not entitled to vote to accept or reject the Plan.

4.6 *Means for Implementation of the Plan*

(a) Compromise of Controversies

In consideration for the Plan Distributions, releases, and other benefits provided under the Plan, and the support of CEI, CELL I, and the Consenting Lenders, upon the Effective Date, the provisions of the Plan constitute a good faith compromise and settlement of all Claims, Equity Interests, and controversies relating to any Allowed Claim or Equity Interest or any Plan Distribution to be made on account thereof or otherwise resolved under the Plan, including, without limitation:

- any challenge to the amount, validity, perfection, enforceability, priority, or extent of the RBL Claims, or to any Lien securing the RBL Claims; and
- any claim to avoid, subordinate, or disallow any RBL Claim, or any Lien securing the RBL Claims, whether under any provision of chapter 5 of the Bankruptcy Code, on

any equitable theory (including, without limitation, equitable subordination, equitable disallowance, or unjust enrichment) or otherwise.

The Plan shall be deemed a motion to approve the good faith compromise and settlement of all such Claims, Equity Interests, and controversies pursuant to Bankruptcy Rule 9019, and the entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of such compromise and settlement under section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, as well as a finding by the Bankruptcy Court that such settlement and compromise is fair, equitable, reasonable and in the best interests of the Debtors and their Estates. All Plan Distributions made in accordance with the Plan are intended to be, and shall be, final.

(b) Plan Funding

The Debtors shall fund Plan Distributions, as applicable, with: (a) Cash on hand; (b) Cash generated from the Reorganized Debtors' operations; (c) the proceeds of the Exit Credit Agreement; and (d) the New Equity Interests. Each Plan Distribution and issuance referred to in Article VIII of the Plan shall be governed by the terms and conditions set forth herein applicable to such Plan Distribution or issuance and by the terms and conditions of the instruments or other documents evidencing or relating to such Plan Distribution or issuance, which terms and conditions shall bind each Entity receiving such Plan Distribution or issuance.

(i) Exit Facility

The Reorganized Debtors shall enter into the Exit Loan Documents. Confirmation of the Plan shall constitute (a) approval of the Exit Loan Documents, and all transactions contemplated thereby, including any 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, indemnities, and expenses provided for therein, (b) authorization for the Reorganized Debtors to enter into and execute the Exit Loan Documents, and such other documents as may be required or appropriate, (c) approval of the Exit Senior Secured Term Loans (if applicable), and all transactions contemplated thereby, including any and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, and (d) authorization for the Reorganized Debtors to enter into and execute such documents as may be required or appropriate in connection with the Exit Senior Secured Term Loans (if applicable). On the Effective Date, the Exit Loan Documents (and, if applicable, the Exit Senior Secured Term Loans), including, without limitation, any new promissory notes evidencing the obligations of the Reorganized Debtors, and all other documents, instruments, mortgages, and agreements to be entered into, delivered, or confirmed thereunder, shall become effective, valid, binding, and enforceable in accordance with their terms, and each party thereto shall be bound thereby. The obligations incurred by the Reorganized Debtors pursuant to the Exit Loan Documents (and, if applicable, the Exit Senior Secured Term Loans) and related documents shall be secured and paid or otherwise satisfied pursuant to, and as set forth in, the Exit Loan Documents (and, if applicable, the Exit Senior Secured Term Loans) and related documents.

(ii) General Unsecured Claims Cash Distribution Account

On the Effective Date, the Reorganized Debtors shall fund the General Unsecured Claims Cash Distribution Account. After the Effective Date, the Reorganized Debtors shall have no obligation to provide additional funding to the General Unsecured Claims Cash Distribution Account. After the completion of all distributions to the Holders of Allowed General Unsecured Claims in Class 4, any remaining funds in the General Unsecured Claims Cash Distribution Account shall promptly be returned to the Reorganized Debtors and shall not be distributed to Holders of Claims or Equity Interests under the Plan.

(c) Authorization and Issuance of New Equity

On the Effective Date, or as soon thereafter as reasonably practicable, subject to the terms and conditions of the Restructuring Transactions, Reorganized Castex 2005 or Reorganized Castex Holdco, as the case may be, shall issue or cause to be issued the New Equity Interests for distribution in accordance with the terms of the Plan and the New Constituent Documents without the need of any further corporate or equity holder action. Except as otherwise expressly provided in the New Constituent Documents Reorganized Castex 2005 or Reorganized Castex Holdco, as the case may be, shall not be obligated to register the New Equity Interests under the Securities Act or to list the New Equity Interests for public trading on any securities exchange.

Distributions of the New Equity Interests may be made by delivery or book-entry transfer thereof by the applicable Disbursing Agent in accordance with the Plan and the New Constituent Documents. Upon the Effective Date, after giving effect to the transactions contemplated hereby, the authorized shares or units of New Equity Interests in Reorganized 2005 or Reorganized Castex Holdco, as the case may be, shall be that number of shares or units as may be designated in the New Constituent Documents.

In the period following the Effective Date and pending distribution of the New Equity Interests to any Holder entitled pursuant to the Plan to receive New Equity Interests, any such Holder will be entitled to exercise any voting rights and receive any dividends or distributions paid with respect to such Holder's shares of New Equity Interests and exercise all of the rights with respect of the New Equity Interests (so that such Holder will be deemed for tax purposes to be the owner of the New Equity Interests).

(d) Restructuring Transactions

The corporate form of the Reorganized Debtors shall be structured through the Restructuring Transactions, including the following Corporate Transactions, (i) as provided by the following series of transactions, subject to review and approval by the Prepetition Agent and the Required Consenting Lenders, such approval to be given on or before the Effective Date, or (ii) otherwise in a manner acceptable to the Debtors, the Prepetition Agent, and the Required Consenting Lenders, after appropriate diligence by the respective parties, for purposes of achieving a tax efficient structure:

Phase 1: Structure Simplification.

- the merger of Castex II and Castex IV into Castex 2005;

- the conversion of CEP into a limited liability company;
- the transfer by Castex 2005 of all of the stock of COI to CEP;
- the Equity Interests in COI being wholly owned by CEP; and
- the Equity Interests in CEP being wholly owned by Castex 2005.

Phase 2: Holding Company Merger.

- the formation of Castex Energy Holdings, L.P. ("**CEH LP**"), and the formation of Castex Merger Sub LLC ("**Merger Sub**") as a wholly owned subsidiary of CEH LP;
- the merger of Merger Sub with and into Castex 2005;
- the series of other transactions described in "Schedule 3" to the Plan Term Sheet resulting in
    - the holders of the Equity Interests in Castex 2005 surrendering or being deemed to have surrendered those Equity Interests in exchange for substantially similar Equity Interests in CEH LP;
    - CEH LP owning all of the Equity Interests in Castex 2005; and
    - the conversion of Castex 2005 to a limited liability company.

Phase 3: Final Exit Transactions.

- the formation of Reorganized Castex Holdco as a limited liability company; and
- the transfer by CEH LP of all of the Equity Interests in Castex 2005 to Reorganized Castex Holdco in exchange for the assumption by Reorganized Castex Holdco of all of the RBL Claims;
- the surrender of the RBL Claims and the DIP Claims in exchange for the loans under the Exit Credit Agreement, the Exit Senior Secured Term Loans (if applicable), and New Equity Interests in Reorganized Castex Holdco;
- the series of other transactions described in "Schedule 3" to the Plan Term Sheet resulting in
    - the issuance of New Equity Interests;
    - the Equity Interests in Reorganized Castex 2005 being wholly owned by Reorganized Castex Holdco;
    - the Equity Interests in Reorganized CEP being wholly owned by Reorganized Castex 2005; and
    - the Equity Interests in Reorganized COI being wholly owned by Reorganized CEP.

At the conclusion of the Corporate Transactions, CEH LP shall have no interests in property of any kind or nature and shall be dissolved as soon as practicable after the Plan Effective Date and after filing its final tax returns.

(a) Subject to Article 6.2(a) of the Plan, the Debtors, with the consent of the Prepetition Agent and the Required Consenting Lenders, and the Reorganized Debtors, as applicable, may take other actions as may be necessary or appropriate to effect a corporate

restructuring of their businesses, to otherwise simplify the overall corporate structure of the Debtors or the Reorganized Debtors, or to organize certain of the Debtors or the Reorganized Debtors under the laws of jurisdictions other than the laws of which such Debtors currently are organized, which restructuring may include one or more mergers, consolidations, dispositions, liquidations, or dissolutions as may be determined by the Debtors or the Reorganized Debtors to be necessary or appropriate to result in substantially all of the respective assets, properties, rights, liabilities, duties, and obligations of certain of the Debtors vesting in one or more surviving, resulting, or acquiring Entities. In each case in which the surviving, resulting, or acquiring Entity in any such transaction is a successor to a Debtor, such surviving, resulting, or acquiring Entity shall perform the obligations of such Debtor pursuant to the Plan to satisfy the Allowed Claims against such Debtor, except as provided in any contract, instrument, or other agreement or document effecting a disposition to such surviving, resulting, or acquiring Entity, which may provide that another Debtor or Reorganized Debtor shall perform such obligations.

Subject to Article 6.2(a) of the Plan, the actions to implement the Restructuring Transactions may include: (a) the execution and delivery of appropriate agreements or other documents of merger, amalgamation, consolidation, restructuring, conversion, disposition, transfer, arrangement, continuance, dissolution, sale, purchase, or liquidation containing terms that are consistent with the terms of the Plan and that satisfy the requirements of applicable law and any other terms to which the applicable Entities may agree; (b) the execution and delivery of appropriate instruments of transfer, assignment, assumption, or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan and having other terms for which the applicable parties agree; (c) the filing of appropriate certificates or articles of incorporation, formation, reincorporation, merger, consolidation, conversion, amalgamation, arrangement, continuance, dissolution, or other organizational documents pursuant to applicable state law; and (d) all other actions that the applicable Entities determine to be necessary or advisable, including making filings or recordings that may be required by law in connection with the Plan.

(e) Equity Interests in Debtor Subsidiaries

Subject to Article 6.2(a) of the Plan, all Equity Interests in the Debtors other than Castex 2005, Castex II, and Castex IV shall be unaffected by the Plan and continue in place following the Effective Date, solely for purposes of implementing the Restructuring Transactions.

(f) Registration

The New Equity Interests, including the New Equity Interests to be issued pursuant to the Management Incentive Plan, 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 offer and sale of the New Equity Interests pursuant to the Plan is, and subsequent transfers by the holders thereof that are not "underwriters" (as defined in section 2(a)(11) of the Securities Act and section 1145(b)(1) of 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. The New Equity Interests underlying

the Management Incentive Plan will be issued pursuant to available exemptions from registration under the Securities Act and other applicable law.

(g) Cancellation of Notes, Instruments, and Equity Interests

Except for the purpose of evidencing a right to a Plan Distribution and except as otherwise set forth herein, on the Effective Date, all agreements, instruments, and other documents evidencing, related to or connected with any Claim or Equity Interest and any rights of any Holder in respect thereof, shall be deemed cancelled, discharged, and of no force or effect. Holders of or parties to such cancelled instruments, securities, and other documentation will have no rights arising from or relating to such instruments, securities, and other documentation, or the cancellation thereof, except the rights provided for pursuant to the Plan. Notwithstanding anything to the contrary herein but subject to any applicable provisions of Article VIII of the Plan, each of (a) the Prepetition Loan Documents and (b) the DIP Loan Documents (collectively, (a) and (b), the "Debt Instruments") shall continue in effect solely to the extent necessary to: (i) permit Holders of Claims under the Debt Instruments to receive Plan Distributions; (ii) permit the Reorganized Debtors and the Agents to make Plan Distributions on account of the Allowed Claims under the Debt Instruments, as applicable, and deduct therefrom such reasonable compensation, fees, and expenses due to the applicable Agent thereunder or incurred by the applicable Agent in making such Plan Distributions; and (iii) permit the Agents to seek compensation and/or reimbursement of fees and expenses in accordance with the terms of the Plan. Except as provided in the Plan (including Article VIII of the Plan), on the Effective Date, each of the Agents and their respective agents, successors, and assigns shall be automatically and fully discharged of all of their duties and obligations associated with the Debt Instruments, as applicable. The commitments and obligations (if any) of the Prepetition Secured Parties and/or any of the DIP Secured Parties to extend any further or future credit or financial accommodations to any of the Debtors, any of their respective subsidiaries or any of their respective successors or assigns under any Debt Instruments, as applicable, shall fully terminate and be of no further force or effect on the Effective Date. To the extent that any provision of the DIP Loan Documents and DIP Orders are of a type that survives repayment of the subject indebtedness, such provisions shall remain in effect notwithstanding satisfaction of the DIP Claims.

(h) Cancellation of Liens; No Discharge of Certain Liens and Claims

Except as provided otherwise under the Exit Loan Documents or the Plan (including, for the avoidance of doubt, Article 6.10(b) of the Plan), on the Effective Date and concurrently with the applicable distributions made pursuant to the Plan, all Liens securing any Secured Claim shall be fully released, settled, discharged and compromised and all rights, titles, and interests of any holder of such mortgages, deeds of trust, Liens, pledges or other security interests against any property of the Estates shall revert to the Reorganized Debtors and their successors and assigns, and the Holder of such Secured Claim (and the applicable Agents for such Holder) shall be authorized and directed, at the sole cost and expense of the Reorganized Debtors, to release any collateral or other property of any Debtor (including any cash collateral and possessory collateral) held by such Holder (and the applicable Agents for such Holder), and to take such actions as may be reasonably requested by the Reorganized Debtors to evidence the release of

such Lien, including the execution, delivery, and filing or recording of such releases. The filing of the Confirmation Order with any federal, state, provincial, or local agency or department shall constitute good and sufficient evidence of, but shall not be required to effect, the termination of such Liens.

Notwithstanding anything in the Plan to the contrary, (i) pursuant to section 1141(d)(4) of the Bankruptcy Code, the Debtors and the Reorganized Debtors have waived the discharge or release of the DIP Claims and the RBL Secured Claims, in each case as restructured pursuant to the Exit Loan Documents (and, if applicable, the documents executed and delivered in connection with the Exit Senior Secured Term Loans), and (ii) all property and assets of the Estates of the Debtors shall remain encumbered by and subject to the Prepetition Liens, which, as of the Effective Date, shall secure all indebtedness and obligations of the Reorganized Debtors under and to the extent set forth in the Exit Loan Documents (and, if applicable, the documents executed and delivered in connection with the Exit Senior Secured Term Loans), and such Liens (x) are hereby ratified, reaffirmed as valid, enforceable and not avoidable, deemed granted by the Reorganized Debtors, and deemed perfected and (y) shall not be, and shall not be deemed to be, impaired, discharged, or released by the Plan, the Confirmation Order, or on account of the confirmation or consummation of the Plan.

(i) New Shared Services Agreement

On the Effective Date, the Shared Services Agreement shall be assumed and shall be amended and restated in its entirety pursuant to the New Shared Services Agreement. The New Shared Services Agreement shall be consistent with the Plan Term Sheet and otherwise reasonably satisfactory to the Debtors, the Reorganized Debtors, CEI, CELL I, and the Required Consenting Lenders.

As of the Effective Date, CEI shall have an Allowed Claim against each Debtor in an aggregate amount of six million one hundred fifty thousand and no/100ths Dollars ($6,150,000) arising from the Shared Services Agreement, comprised of (i) unpaid prepetition management fees in the amount of three million nine hundred ninety thousand and no/100ths Dollars ($3,990,000) (such Claim, the "CEI Management Fee Cure Claim") and (ii) reimbursement of professional fees paid by CEI in the amount of two million one hundred sixty thousand and no/100ths Dollars ($2,160,000) (such Claim, the "CEI Reimbursement Cure Claim," together with the CEI Management Fee Cure Claim, the "CEI Cure Claim").

On the Effective Date, upon assumption of the Shared Services Agreement and entry into the New Shared Services Agreement, CEI, in full and complete settlement, release, and discharge of, and in exchange for, the CEI Cure Claim—

- shall setoff $1,456,767.02 of the CEI Reimbursement Cure Claim against CEI's prepetition debt to CEP for legacy suspended revenue; and
- subject to the terms and conditions of the Plan Term Sheet, shall receive its rights to the "Success Fee" (as defined in the Plan Term Sheet) on account of the remaining

CEI Reimbursement Cure Claim (after giving effect to the setoff) and the entirety of the CEI Management Fee Cure Claim.

CEI shall receive no other or further consideration on account of the CEI Cure Claim. Notwithstanding the foregoing, any unpaid amounts otherwise due and payable in the ordinary course of business under the Shared Services Agreement as of the Effective Date (other than, for the avoidance of doubt, the CEI Cure Claim) shall be paid on the Plan Effective Date or as soon as practicable thereafter (but, in any event, prior to the effectiveness of the New Shared Services Agreement), with the consent of the Prepetition Agent and the Required Consenting Lenders, such consent not to be unreasonably withheld.

(j) Corporate Action

On and after the Effective Date, all actions contemplated by the Plan shall be deemed authorized, approved, and, to the extent taken prior to the Effective Date, ratified in all respects without the need for any further corporate or limited liability company action or any further action by any stockholders, general partners, limited partners, officers, directors, managers, or members of the Debtors or the Reorganized Debtors, including, to the extent applicable, (a) the adoption of the New Constituent Documents; (b) the selection of the directors, managers, members, and officers for the Reorganized Debtors; (c) the execution of and entry into the Exit Loan Documents (and, if applicable, such documents as may be required or appropriate in connection with the Exit Senior Secured Term Loans) and related documents (including the incurrence of indebtedness, provision of guarantees and granting of liens contemplated thereby); (d) the issuance of the New Equity Interests; (e) the consummation of the Restructuring Transactions contemplated by the Plan and performance of all actions and transactions contemplated thereby; (f) entry into the New Shared Services Agreement, (g) the rejection, assumption, or assumption and assignment, as applicable, of executory contracts and unexpired leases; (h) the adoption of the Management Incentive Plan; and (i) all other acts or actions contemplated or reasonably necessary or appropriate to promptly consummate the Restructuring Transactions contemplated by the Plan (whether to occur before, on, or after the Effective Date). On the Effective Date, the appropriate officers, members, managers, stockholders, and boards of directors or equivalent governing bodies of the Reorganized Debtors shall be authorized and directed to issue, execute, file, record, and deliver the agreements, documents, securities, deeds, bills of sale, conveyances, releases, and instruments contemplated by the Plan (or necessary or desirable to effect the transactions contemplated by the Plan) in the name of and on behalf of the Reorganized Debtors. The authorizations and approvals contemplated in Article 6.13 of the Plan shall be effective notwithstanding any requirements under any applicable non-bankruptcy law.

(k) Organizational Matters

Except as otherwise provided under the Plan, the Debtors will continue to exist after the Effective Date as Reorganized Debtors in accordance with the applicable laws of the respective jurisdictions in which they are incorporated or organized and pursuant to the New Constituent Documents, for the purposes of satisfying their obligations under the Plan and the continuation of their business. After the Effective Date, but subject to Article 6.2(b) of the Plan, the Reorganized Debtors may amend and restate their respective charters, bylaws and/or constituent

documents as permitted by the applicable laws of the respective jurisdictions in which they are incorporated or organized.

(l) Directors and Officers of the Reorganized Debtors

i) The terms governing the initial composition of the new board of directors or managers or equivalent governing body of each of the Reorganized Debtors (each such board or governing body, as the case may be, a "New Board") shall be acceptable to the Prepetition Agent and the Required Consenting Lenders. The New Board for each of the Reorganized Debtors shall initially consist of five (5) members as follows: (i) four members shall be selected by the Prepetition Agent and the Required Consenting Lenders; and (ii) a fifth member (A) shall be an executive officer of the Reorganized Debtors and (B) shall be proposed by CEI, whose appointment to such New Board shall be acceptable to the Prepetition Agent and the Required Consenting Lenders (such consent not to be unreasonably withheld).

ii) As of the Effective Date, the term of the current members of the board of directors or managers or equivalent governing bodies of the applicable Debtors shall expire, and each initial New Board shall be appointed in accordance with Article 7.2(a) hereof and the respective New Constituent Documents. Pursuant to section 1129(a)(5) of the Bankruptcy Code, the Debtors will disclose in the Plan Supplement to the extent then known the identity and affiliations of any person proposed to serve on each initial New Board. To the extent any such director, manager, or officer of the Reorganized Debtors is an "insider" under the Bankruptcy Code, the Debtors also will disclose the nature of any compensation to be paid to such director, manager, or officer.

iii) Unless reappointed pursuant to Article 7.2(a) of the Plan, the members of the board of directors or managers or equivalent governing body of each Debtor prior to the Effective Date shall have no continuing obligations to the Reorganized Debtors in their capacities as such on and after the Effective Date and each such member shall be deemed to have resigned or shall otherwise cease to be a director or manager of the applicable Debtor on the Effective Date. Commencing on the Effective Date, the members of each New Board shall serve pursuant to the terms of the applicable New Constituent Documents of such Reorganized Debtor and may be replaced or removed in accordance with such organizational documents.

iv) On or before the Effective Date, the Debtors on behalf of the Reorganized Debtors will obtain sufficient liability insurance policy coverage for a six (6) year period for the benefit of the Debtors' and Reorganized Debtors' current and former directors, managers, and officers on terms no less favorable to such directors, managers, and officers than the Debtors' existing coverage for that purpose and with an available aggregate limit of liability on the Effective Date of no less than the aggregate limit of liability under the existing policy or policies for that purpose. After the Effective Date, none of the Debtors or Reorganized Debtors will terminate or otherwise reduce the coverage under any such policy (including any "tail policy") in effect on the Effective Date, with respect to conduct occurring prior thereto and all officers, directors, and managers of the Debtors who served in such capacity at any time prior to the Effective Date shall be entitled to the full benefits of any such policy for the full term of such

policy regardless of whether or not such director, manager, or officer remains in such position or any position after the Effective Date.

v) In addition, to the fullest extent permitted by applicable law, the obligations of the Debtors to indemnify, defend, reimburse, or limit the liability of those Persons who were actual serving members, directors, officers, or employees of the Debtors as of and after the Petition Date (but prior to the occurrence of the Effective Date) against any liabilities, claims, or causes of action as provided in any of the limited liability company agreements, limited partnership agreements, or other governance documents of the Debtors, or under applicable state or federal law, shall not be discharged, irrespective of whether such indemnification, defense, reimbursement, or limitation is owed in connection with an event occurring before or after the Petition Date (but prior to the occurrence of the Effective Date). The indemnification obligations of the Debtors not subject to discharge pursuant to Article 7.2(e) of the Plan are limited to those authorized or permitted under state or federal law as the same is now or may become applicable at the time any claim for indemnification is made.

(m) Management Incentive Plan

From the issuance of New Equity Interests on or as soon as practicable after the Effective Date, 12.00% shall be reserved for a management incentive plan (the "Management Incentive Plan"), the form, terms, allocation, and vesting of which shall be determined by the New Board of Reorganized Castex 2005 or Reorganized Holdco, as the case may be, and, as of the Effective Date, shall be acceptable to the Prepetition Agent and the Required Consenting Lenders; *provided*, *however*, that the New Equity Interests reserved for the Management Incentive Plan shall be deemed issued on a restricted basis as follows:

- upon the Effective Date, 3.50% of New Equity Interests shall be deemed issued fully vested;

- upon the Effective Date, an additional 3.50% of New Equity Interests shall be deemed issued, and, upon the first anniversary of the Effective Date, 1.75% of such New Equity Interests shall be fully vested, and, upon the second anniversary of the Effective Date, the remaining 1.75% of such New Equity Interests shall be fully vested; provided that if a MIP Sale occurs prior to the second anniversary of the Effective Date, such 3.50% of New Equity Interests shall be deemed issued fully vested immediately prior to the consummation of such MIP Sale; and

- if a MIP Sale occurs, an additional percentage of New Equity Interests equal to the MIP Sale Increment shall be deemed issued and fully vested immediately prior to the consummation of such MIP Sale;

provided, *further*, that any New Equity Interests not deemed issued and fully vested shall be forfeited under the Management Incentive Plan upon the earlier to occur of (i) the date on which CEI provides written notice of its New Shared Services Agreement Termination Right, (ii) the date on which the Reorganized Debtors provide written notice of the exercise of their New Shared Services Agreement Termination Right for cause, and (iii) the first anniversary of the

date on which the Reorganized Debtors provide written notice of the exercise of their New Shared Services Agreement Termination Right without cause, *provided* that with respect to clause (iii), (A) such unvested New Equity Interests deemed issued on the Effective Date shall be deemed fully vested on the date on which the Reorganized Debtors provide written notice of the exercise of their New Shared Services Agreement Termination Right without cause and (B) if a MIP Sale occurs on or prior to such first anniversary, such other unvested New Equity Interests in an amount equal to the MIP Sale Increment shall be deemed fully vested immediately prior to the consummation of a MIP Sale.

(n) Plan Distributions

(i) Plan Distributions. The Disbursing Agent shall make all Plan Distributions to the appropriate Holders of Allowed Claims in accordance with the terms of the Plan. The Agents shall bear no responsibility or liability for any Plan Distributions. For the avoidance of doubt, Plan Distributions of New Equity Interests shall not be made to any of the Agents, and none of the Agents shall bear any responsibility or liability for any Plan Distributions of New Equity Interests.

(1) *Plan Distributions of Cash*. Plan Distributions in the form of Cash to Holders of DIP Claims shall be made by (or in coordination with) the DIP Agent for the benefit of the applicable Holders in accordance with the applicable documents and, with the consent of the Reorganized Debtors, deemed completed when made to the DIP Agent as Disbursing Agent. Plan Distributions in the form of Cash to Holders of other Allowed Claims in accordance with the Plan shall be made by the applicable Reorganized Debtor as Disbursing Agent to the applicable Holders (or to Entities at the written direction of such Holders).

(2) *Plan Distributions of New Equity Interests*. Plan Distributions in the form of New Equity Interests to Holders of DIP Claims, RBL Secured Claims, and, if applicable, General Unsecured Claims shall be made by Reorganized Castex 2005 or Reorganized Holdco, as the case may be, or its stock transfer agent, as Disbursing Agent to the applicable Holders (or to permitted Entities at the written direction of such Holders) in accordance with the applicable documents.

(3) Plan Distributions of Loans and Commitments Under Exit Loan Documents. Plan Distributions in the form of term loans under the Exit Credit Agreement to Holders of DIP Claims shall be made by the Reorganized Debtors (or in coordination with the Exit Agent) as Disbursing Agent to the applicable Holders in accordance with the Exit Loan Documents. Plan Distributions in the form of reserve-based revolving loans and commitments and term loans under the Exit Credit Agreement to Holders of RBL Secured Claims shall be made by the Reorganized Debtors (or in coordination with the Exit Agent) as Disbursing Agent to the applicable Holders in accordance with the Exit Loan Documents.

(4) *Plan Distributions of Exit Senior Secured Term Loans*. Plan Distributions in the form of Exit Senior Secured Term Loans to Holders of RBL Secured Claims, if applicable, shall be made by the Reorganized Debtors as Disbursing Agent to the applicable Holders in accordance with the applicable documents.

(ii) Allocation Between Principal and Interest. The aggregate consideration to be distributed to the Holders of Allowed Claims under the Plan shall be treated as first satisfying an amount equal to the stated principal amount of the Allowed Claims of such Holders, as determined for federal income tax purposes, and any remaining consideration as satisfying accrued, but unpaid, interest, if any.

(iii) No Post Petition Interest on Claims. Other than as specifically provided in the Plan, Confirmation Order, or other order of the Bankruptcy Court, or required by applicable bankruptcy or non-bankruptcy law, postpetition interest shall not accrue or be paid on any prepetition Claim, and no Holder of a prepetition Claim shall be entitled to interest accruing on such Claim on or after the Petition Date.

(iv) Date of Plan Distributions. Except as otherwise provided herein, any distributions and deliveries to be made under the Plan shall be made on the Effective Date or as soon as practicable thereafter. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

(v) Distribution Record Date. As of the close of business on the Distribution Record Date, the various lists of Holders of Claims in each of the Classes, as maintained by the Debtors, or the applicable Agents, shall be deemed closed and there shall be no further changes in the record holders of any of the Claims after the Distribution Record Date. Neither the Debtors nor the Disbursing Agent shall have any obligation to recognize any transfer of Claims occurring after the close of business on the Distribution Record Date. The Debtors and the Reorganized Debtors, as applicable, shall be entitled to recognize and deal for all purposes hereunder only with those Holders stated on the transfer ledgers as of the close of business on the Distribution Record Date, to the extent applicable.

(vi) Disbursing Agent.

(1) *Powers of Disbursing Agent*. The Disbursing Agent shall be empowered to: (i) effectuate all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (ii) make all applicable Plan Distributions or payments contemplated hereby; (iii) employ professionals to represent it with respect to its responsibilities; and (iv) exercise such other powers as may be vested in the Disbursing Agent by order of the Bankruptcy Court (including any order issued after the Effective Date), pursuant to the Plan, or as deemed by the Disbursing Agent to be necessary and proper to implement the provisions hereof.

(2) *Expenses Incurred On or After the Effective Date*. Except as otherwise ordered by the Bankruptcy Court, and subject to the written agreement of the Reorganized Debtors, the amount of any reasonable and documented fees and expenses incurred by any Professional or the Disbursing Agent on or after the Effective Date, (iii) reconciliation of, objection to, and settlement of claims, (iv) payment of taxes, and any reasonable compensation

and expense reimbursement Claims (including, without limitation, reasonable attorney and other professional fees and expenses) of the Disbursing Agent shall be paid in Cash by the Reorganized Debtors and will not be deducted from Plan Distributions made to Holders of Allowed Claims by the applicable Disbursing Agent. The foregoing fees and expenses shall be paid in the ordinary course, upon presentation of invoices to the Reorganized Debtors and without the need for approval by the Bankruptcy Court. In the event that the applicable Disbursing Agent and the Reorganized Debtors are unable to resolve a dispute with respect to the payment of the applicable Disbursing Agent's fees, costs, and expenses, the applicable Disbursing Agent may elect to submit any such dispute to the Bankruptcy Court for resolution.

(3) *Expenses Incurred by Agents*. The amount of any reasonable and documented fees and expenses incurred by the Agents in connection with making Plan Distributions (including, without limitation, reasonable attorney and other professional fees and expenses) shall be paid in Cash by the Reorganized Debtors and will not be deducted from Plan Distributions made to Holders of Allowed Claims by the applicable Agent. The foregoing reasonable and documented fees and expenses shall be paid in the ordinary course, upon presentation of invoices to the Reorganized Debtors and without the need for approval by the Bankruptcy Court. In the event that the applicable Agent and the Reorganized Debtors are unable to resolve a dispute with respect to the payment of the applicable Agent's reasonable and documented fees, costs, and expenses, the applicable Agent may elect to submit any such dispute to the Bankruptcy Court for resolution.

(4) *Bond*. Each Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court and, in the event that such Disbursing Agent is so otherwise ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Reorganized Debtors. Furthermore, any such entity required to give a bond shall notify the Bankruptcy Court and the U.S. Trustee in writing before terminating any such bond that is obtained.

(5) *Cooperation with Disbursing Agent*. The Reorganized Debtors shall use all commercially reasonable efforts to provide each Disbursing Agent with the amount of Claims and the identity and addresses of Holders of Claims, in each case, as set forth in the Debtors' and/or Reorganized Debtors' books and records. The Reorganized Debtors will cooperate in good faith with each Disbursing Agent to comply with the reporting and withholding requirements outlined in Article 8.15 of the Plan.

(vii) Delivery of Plan Distributions. Subject to the provisions contained in Article VIII of the Plan, the applicable Disbursing Agent will issue, or cause to be issued, and authenticate, as applicable, all Plan consideration, and subject to Bankruptcy Rule 9010, make all Plan Distributions or payments to any Holder of an Allowed Claim as and when required by the Plan at: (a) the address of such Holder on the books and records of the Debtors or their agents; or (b) the address in any written notice of address change delivered to the Debtors or the applicable Disbursing Agent, including any addresses included on any filed proofs of Claim or transfers of Claim filed with the Bankruptcy Court. In the event that any Plan Distribution to any Holder is returned as undeliverable, no distribution or payment to such Holder shall be made unless and until the applicable Disbursing Agent has been notified of the then current address of such

Holder, at which time or as soon as reasonably practicable thereafter such Plan Distribution shall be made to such holder without interest; *provided*, *however*, such Plan Distributions or payments (i) on account of Allowed Claims (as of the Effective Date) shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and subject to Article 8.9 of the Plan at the expiration of one year from the Effective Date and (ii) on account of Disputed Claims (as of the Effective Date) shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and subject to Article 8.9 of the Plan at the expiration of one year from the date that such General Unsecured Claim first becomes an Allowed Claim.

(viii) Distributions to Holders of Claims 4. On or before the six-month anniversary of the Effective Date, the applicable Disbursing Agent shall distribute to each Holder of an Allowed General Unsecured Claim (i) if any Class of General Unsecured Claims rejects the Plan, its Pro Rata share (which Pro Rata share shall be determined inclusive of the RBL Deficiency Claim) of the General Equity Pool *less* the Class 4 Disputed Claims New Equity Reserve, or (ii) if each Class of General Unsecured Claims accepts the Plan, its Pro Rata share (which Pro Rata share shall be determined exclusive of the RBL Deficiency Clam) of the General Unsecured Claims Cash Distribution *less* the Class 4 Disputed Claims Cash Reserve. For the avoidance of doubt, the General Unsecured Claims Cash Distribution (if applicable) shall be made to Beneficiary Claimants only.

Upon the completion of the Claims reconciliation process in accordance with the procedures set forth in Article IX of the Plan, the applicable Disbursing Agent shall distribute the Class 4 Disputed Claims Reserve to the Holders of Allowed General Unsecured Claims such that, after giving effect to such distribution, but subject to Article 8.8(c) of the Plan, each Holder of an Allowed General Unsecured Claim shall have received the lesser of (i) the Allowed amount of its General Unsecured Claim and (ii) its Pro Rata share of the General Equity Pool or the General Unsecured Claims Cash Distribution, as applicable, in accordance with Article 4.4(c) of the Plan.

Any Holder of a Disputed Claim in Class 4 that ultimately becomes an Allowed Claim shall (i) receive no more from the Class 4 Disputed Claims Reserve than the amount reserved with respect to such Claim under Article 8.8(a) above; and (ii) not have recourse to the Debtors, the Reorganized Debtors, or any property transferred pursuant to the Plan (other than the General Equity Pool or the General Unsecured Claims Cash Distribution, as applicable, and the Class 4 Disputed Claims Reserve).

(ix) Unclaimed Property. All unclaimed property or interests in property distributable hereunder on account of such Claim shall revert to the Reorganized Debtors or the successors or assigns of the Reorganized Debtors, and any claim or right of the Holder of such Claim to such property or interest in property shall be discharged and forever barred. The Reorganized Debtors and the applicable Disbursing Agent shall have no obligation to attempt to locate any Holder of an Allowed Claim other than by reviewing the Debtors' books and records, the proofs of Claim filed against the Debtors, as reflected on the claims register maintained by the Voting Agent, and any change of address reflected on the docket of the Chapter 11 Cases.

(x) Minimum; De Minimis Distributions. Neither the Reorganized Debtors nor the applicable Disbursing Agent shall have any obligation to make a Plan Distribution that is less than $50.00 in Cash.

(xi) Setoffs and Recoupments. Except as expressly provided in the Plan, each Reorganized Debtor may, pursuant to applicable law, set off and/or may recoup against any Plan Distributions to be made on account of any Allowed Claim, any and all claims, rights, and Causes of Action that such Reorganized Debtor may hold against the Holder of such Allowed Claim to the extent such setoff or recoupment is either (i) agreed in amount among the relevant Reorganized Debtor(s) and Holder of such Allowed Claim or (ii) otherwise adjudicated by the Bankruptcy Court or another court of competent jurisdiction; *provided*, *however*, that neither the failure to effectuate a setoff or recoupment nor the allowance of any Claim hereunder shall constitute a waiver or release by a Reorganized Debtor or its successor of any and all claims, rights, and Causes of Action that such Reorganized Debtor or its successor may possess against the applicable Holder. Notwithstanding anything to the contrary, none of the Reorganized Debtors or the Debtors may setoff and/or recoup against any Plan Distributions to be made on account of any RBL Claims or DIP Claims or any Holder that is a "Released Party." In no event shall any Holder of Claims against, or Equity Interests in, the Debtors be entitled to recoup any such Claim or Equity Interest against any claim, right, or Cause of Action of the Debtors or the Reorganized Debtors, as applicable, unless such Holder actually has performed such recoupment and provided notice thereof in writing to the Debtors in accordance with Article 14.20 of the Plan on or before the Effective Date, notwithstanding any indication in any proof of Claim or proof of Equity Interest or otherwise that such Holder asserts, has, or intends to preserve any right of recoupment.

(xii) Withholding and Reporting Requirements. In connection with the Plan and all Plan Distributions hereunder, the Reorganized Debtors shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all Plan Distributions hereunder shall be subject to any such withholding and reporting requirements. The Reorganized Debtors shall be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements, including, without limitation, liquidating a portion of any Plan Distribution to generate sufficient funds to pay applicable withholding taxes or establishing any other mechanisms the Debtors, the Reorganized Debtors, or the Disbursing Agents believe are reasonable and appropriate, including requiring a Holder of a Claim to submit appropriate tax and withholding certifications. Notwithstanding any other provisions of the Plan: (a) each Holder of an Allowed Claim that is to receive a Plan Distribution shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding, and other tax obligations on account of such distribution; and (b) no distribution shall be required to be made to or on behalf of such Holder pursuant to the Plan unless and until such Holder has made arrangements satisfactory to the Reorganized Debtors for the payment and satisfaction of such tax obligations or has, to the Reorganized Debtors' satisfaction, established an exemption therefrom.

(xiii) Manner of Payment Pursuant to the Plan. Except as specifically provided herein, at the option of the Reorganized Debtors, any Cash payment to be made

hereunder may be made by a check or wire transfer or as otherwise required or provided in applicable agreements or customary practices of the Debtors or the Reorganized Debtors.

4.7 *Treatment of Executory Contracts and Unexpired Leases*

(a) Assumption and Rejection

Subject to Article 6.12 of the Plan, as of and subject to the occurrence of the Effective Date and the payment of any applicable Cure Amount, all executory contracts and unexpired leases of the Debtors shall be deemed assumed, except that: (a) any executory contracts and unexpired leases that previously have been assumed or rejected pursuant to a Final Order of the Bankruptcy Court shall be treated as provided in such Final Order; (b) any executory contracts and unexpired leases listed on the Schedule of Rejected Contracts and Leases, shall be deemed rejected as of the Effective Date; and (c) all executory contracts and unexpired leases that are the subject of a separate motion to assume or reject under section 365 of the Bankruptcy Code pending on the Effective Date shall be treated as provided for in the Final Order resolving such motion.

Subject to the occurrence of the Effective Date, entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the assumptions and rejections described in Article 10.1 of the Plan pursuant to sections 365(a) and 1123 of the Bankruptcy Code. Each executory contract and unexpired lease assumed pursuant to this Article shall revest in and be fully enforceable by the applicable Reorganized Debtor in accordance with its terms, except as modified by the provisions of the Plan, or any order of the Bankruptcy Court authorizing and providing for its assumption, or applicable federal law. The pendency of any motion to assume or reject executory contracts or unexpired leases shall not prevent or delay implementation of the Plan or the occurrence of the Effective Date.

Unless otherwise provided in the Plan, each executory contract and unexpired lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such executory contract or unexpired lease, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously terminated or is otherwise not in effect. Modifications, amendments, supplements, and restatements to prepetition executory contracts or unexpired leases that have been executed by any of the Reorganized Debtors during the Chapter 11 Cases shall not be deemed to alter the prepetition nature of the executory contract or unexpired lease.

For the avoidance of doubt, with respect to executory joint operating agreements by and among one or more Reorganized Debtors, on the one hand as non-operating working interest owners, and CEI, on the other as operator, to the extent such joint operating agreements are assumed pursuant to the Plan, CEI's right(s), in the event that Apache is determined by Final Order to be a defaulting working interest owner under such joint operating agreements with liability to CEI as operator and CEI is unable to compel payment from Apache for such liability, to seek, prosecute, and recover from non-defaulting working interest owners, including, but not limited to, as applicable, any Reorganized Debtor, any and all such amounts owed to CEI by

Apache under such joint operating agreements to the extent permitted by and consistent with such joint operating agreements, are hereby preserved.

Except as otherwise provided in the Plan, any rights or arrangements necessary or useful to the operation of the Reorganized Debtors' businesses, but not otherwise addressed as a Claim or Equity Interest or assumed under Article X of the Plan, including non-exclusive or exclusive patent, trademark, copyright, maskwork, or other intellectual property licenses, and other contracts that may not be assumable under section 365(c) of the Bankruptcy Code, will, in the absence of any other treatment under the Plan or Confirmation Order, be passed through the Chapter 11 Cases for the benefit of the Reorganized Debtors, provided that notwithstanding anything to the contrary herein, any Claim thereunder will be treated in accordance with the distribution provisions of the Plan.

(b) Rejection Claims

Except as otherwise explicitly set forth in the Plan, all Claims arising from the rejection of executory contracts or unexpired leases, if evidenced by a timely filed proof of Claim, will be treated as General Unsecured Claims. Upon receipt of the Plan Distribution provided in Article 4.4 of the Plan, all such Claims shall be discharged as of the Effective Date, and shall not be enforceable against the Debtors, the Estates, the Reorganized Debtors, or their respective properties or interests in property. In the event that the rejection of an executory contract or unexpired lease by any of the Debtors pursuant to the Plan results in damages to the other party or parties to such contract or lease, a Claim for such damages shall be forever barred and shall not be enforceable against the Debtors or the Reorganized Debtors, or their respective properties or interests in property as agents, successors, or assigns, unless a proof of Claim is filed with the Bankruptcy Court and served upon counsel for the Debtors and the Reorganized Debtors on or before the date that is thirty (30) days after the effective date of such rejection (which may be the Effective Date, the date on which the Debtors reject the applicable contract or lease as provided below, or pursuant to an order of the Bankruptcy Court).

(c) Cure of Assumed Executory Contracts and Unexpired Leases

Except to the extent that less favorable treatment has been agreed to by the non-Debtor party or parties to each such executory contract or unexpired lease to be assumed pursuant to the Plan, any monetary defaults arising under such executory contract or unexpired lease shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the appropriate amount (the "Cure Amount") in full in Cash on the later of thirty (30) days after: (i) the Effective Date or (ii) the date on which any Cure Dispute relating to such Cure Amount has been resolved (either consensually or through judicial decision).

No later than twenty-eight (28) calendar days prior to the commencement of the Confirmation Hearing (the "Assumption Notice Deadline"), the Debtors shall file a notice (the "Assumption Notice") which shall include a schedule (the "Cure Schedule") of the Cure Amount, if any, that the Debtors believe is required to be paid to the applicable counterparty for each executory contract and unexpired lease to be assumed pursuant to Article 10.1 of the Plan (each, an "Assumed Contract"), and serve such Assumption Notice, including the Cure Schedule,

on each applicable counterparty. If a counterparty objects to the Cure Amount (or to a lack of adequate assurance of future performance), such counterparty must file with the Bankruptcy Court a written objection (a "Contract Objection"). Any Contract Objection shall: (i) be in writing; (ii) comply with the Bankruptcy Rules; (iii) be filed with the clerk of the Bankruptcy Court, together with proof of service, within fourteen (14) days of the Assumption Notice Deadline (such date, the "Contract Objection Deadline"); and (iv) state with specificity the grounds for such objection, including, without limitation, the fully liquidated cure amount and the legal and factual bases for any unliquidated cure amount that the counterparty believes is required to be paid under sections 365(b)(1)(A) and (B) of the Bankruptcy Code for the applicable Assumed Contract, along with the specific nature and dates of any alleged defaults, the pecuniary losses, if any, resulting therefrom, and the conditions giving rise thereto.

If, after the Assumption Notice Deadline, additional executory contracts or unexpired leases of the Debtors are determined to be Assumed Contracts, as soon as practicable thereafter and in no event less than one (1) Business Day before the commencement of the Confirmation Hearing, the Debtors shall file with the Bankruptcy Court and serve, by overnight delivery, on the applicable counterparties a supplemental Assumption Notice, and such counterparties shall file any Contract Objection thereto in accordance with the procedures set forth in Article 10.3(b) of the Plan not later than the Contract Objection Deadline in the event that such supplemental Assumption Notice was filed and served at least seven (7) calendar days prior to the Contract Objection Deadline. If less than seven (7) calendar days remain prior to the Contract Objection Deadline when an additional executory contract or unexpired lease is determined to be an Assumed Contract, the Bankruptcy Court will, by separate order, establish an objection deadline solely applicable to such assumed executory contracts or unexpired leases.

If no Contract Objection is timely received with respect to an Assumed Contract: (i) the counterparty to such Assumed Contract shall be deemed to have consented to the assumption by the Debtors, and be forever barred, estopped, and enjoined from asserting any objection with regard to such assumption (including, without limitation, any payment or other obligation in connection with the assumption or with respect to adequate assurance of future performance); (ii) any and all defaults under the Assumed Contract and any and all pecuniary losses related thereto shall be deemed cured and compensated pursuant to sections 365(b)(1)(A) and (B) of the Bankruptcy Code upon payment of the Cure Amount set forth in the Assumption Notice for such Assumed Contract; and (iii) the Cure Amount set forth in the Assumption Notice for such Assumed Contract (including a Cure Amount of $0.00) shall be controlling, notwithstanding anything to the contrary in such Assumed Contract, or any other related document, and the counterparty shall be deemed to have consented to the Cure Amount and shall be forever barred, estopped, and enjoined from asserting any other Claims related to such Assumed Contract against the Debtors or their Estates, the Reorganized Debtors, or the property of any of them, that existed prior to the entry of a Final Order approving the assumption of such Assumed Contract (including, without limitation, the Confirmation Order).

To the extent that the parties are unable to consensually resolve any Contract Objection prior to the commencement of the Confirmation Hearing, including, without limitation, any dispute with respect to the Cure Amount or any other payment obligation required to be paid to

the applicable counterparty under sections 365(b)(1)(A) and (B) of the Bankruptcy Code (any such dispute, a "Cure Dispute"), such Contract Objection will be adjudicated at the Confirmation Hearing or at such other date and time as may be fixed by the Bankruptcy Court; *provided*, *however*, that if the Contract Objection relates solely to a Cure Dispute, the Assumed Contract may be assumed by the Debtors, with the consent of the Prepetition Agent and the Required Consenting Lenders, provided that the Debtors reserve Cash in an amount sufficient to pay the full amount asserted as the required cure payment by the non-Debtor party to such contract or lease (or such smaller amount as may be fixed or estimated by the Bankruptcy Court). To the extent a Contract Objection is resolved or determined against a Debtor or Reorganized Debtor, as applicable, such Debtor or Reorganized Debtor may reject such executory contract or unexpired lease within ten (10) Business Days after such determination by filing and serving upon the counterparty a notice of rejection, and the counterparty may thereafter file a proof of Claim in the manner set forth in Article 10.2 of the Plan.

(d) Insurance Policies

All of the Debtors' insurance policies and any agreements, documents, or instruments relating thereto, to the extent the Debtors or any of them are owners of such policies and agreements are treated as and deemed to be Executory Contracts under the Plan. On the Effective Date, and notwithstanding anything in the Plan that could be to the contrary, the Debtors and the Reorganized Debtors shall be deemed to have assumed all insurance policies and any agreements, documents, and instruments related thereto, whether or not such policies, agreements, documents and instruments related thereto are listed on the Schedule of Assumed Executory Contracts and Unexpired Leases, to the extent the Debtors have interests in and are owners of such policies and agreements.

(e) Leasehold Interests – Federal and State Leases

THE DEBTORS HAVE INCLUDED THE FOLLOWING RESERVATION OF RIGHTS IN THE PLAN AS IT RELATES TO GOVERNMENTAL UNITS:

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 the 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 nonbankruptcy law or 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 sections 503(b)(1)(B) or (C) of the Bankruptcy Code as a condition of it being an Allowed Administrative Claim. Nothing in the

Confirmation Order or the Plan shall affect the authority of any Governmental Unit to exercise its police or regulatory authority with respect to any leasehold, contract, or property interest assumed or vested in the Debtors and the Reorganized Debtors under the Plan. As well, all rights and defenses of the Debtors and the Reorganized Debtors are expressly reserved.

(f) Contracts and Leases Entered into After the Petition Date

Contracts and leases entered into after the Petition Date by any Debtor in the ordinary course of business or following approval pursuant to a Bankruptcy Court order, including any executory contracts and unexpired leases assumed by a Debtor, shall be performed by the applicable Debtor or Reorganized Debtor, as the case may be, liable thereunder in the ordinary course of its business. Accordingly, such contracts and leases (including any assumed executory contracts and unexpired leases) shall survive and remain unaffected by entry of the Confirmation Order.

(g) Reservation of Rights

Neither the exclusion nor inclusion of any contract or lease on any Assumption Notice or exhibit to the Plan Supplement, nor anything contained in the Plan, shall constitute an admission by the Debtors that any agreement, contract, or lease is an executory contract or unexpired lease subject to Article 10 of the Plan, as applicable, or that the Debtors or the Reorganized Debtors have any liability thereunder.

The Debtors, with the consent of the Prepetition Agent and the Required Consenting Lenders (not to be unreasonably withheld), and the Reorganized Debtors, as applicable, reserve the right to alter, amend, modify, or supplement the Assumption Notice and Schedule of Rejected Contracts and Leases until and including the Effective Date or as otherwise provided by Bankruptcy Court order; *provided*, *however*, that if there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption, assumption and assignment, or with respect to the asserted Cure Amount, then the Prepetition Agent, the Required Consenting Lenders, and the Reorganized Debtors shall have thirty (30) days following entry of a Final Order resolving such dispute to amend the decision to assume, or assume and assign, such executory contract or unexpired lease.

4.8 *Procedures for Resolving Disputed Claims and Interests*

(a) No Proofs of Equity Interests Required

Except as otherwise provided in the Plan or by order of the Bankruptcy Court, Holders of Equity Interests shall not be required to file proofs of Equity Interests in the Chapter 11 Cases.

(b) Prosecution of Objections to Claims; Estimation of Claims

Except insofar as a Claim is Allowed under the Plan, the Debtors or the Reorganized Debtors, as applicable, shall be entitled to object to Claims. No other Entity shall be entitled to object to Claims after the Effective Date. Any objections to Claims shall be served and filed on

or before (a) the one-hundred twentieth (120th) day following the later of (i) the Effective Date and (ii) the date that a proof of Claim is filed or amended or a Claim is otherwise asserted or amended in writing by or on behalf of a Holder of such Claim, or (b) such later date as may be fixed by the Bankruptcy Court.

The Reorganized Debtors may at any time request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code, except that the Reorganized Debtors may not request estimation of any non-contingent or liquidated Claim if the Debtors' objection to such Claim was previously overruled by a Final Order, and the Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Reorganized Debtors may pursue supplementary proceedings to object to the allowance of such Claim. Notwithstanding section 502(j) of the Bankruptcy Code, in no event shall any Holder of a Claim that has been estimated pursuant to section 502(c) of the Bankruptcy Code or otherwise be entitled to seek reconsideration of such estimation unless such Holder has filed a motion requesting the right to seek such reconsideration on or before twenty-one (21) days after the date on which such Claim is estimated. All of the aforementioned objection, estimation, and resolution procedures are intended to be cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

The Debtors and the Reorganized Debtors reserve the right to have the Allowance of Claims and objections thereto determined by a court of competent jurisdiction other than the Bankruptcy Court, upon such order, if any as may be necessary from the Bankruptcy Court.

(c) Payments and Distributions on Disputed Claims

If an objection to a Claim is filed as set forth in Article 9.2 of the Plan or otherwise, no payment or distribution provided under the Plan shall be made on account of such Claim unless and until such Disputed Claim becomes an Allowed Claim.

At such time as a Disputed Claim becomes an Allowed Claim or as soon as practicable thereafter, the Disbursing Agent shall distribute to the Holder of such Allowed Claim the property distributable to such Holder pursuant to Article 4 of the Plan; *provided, however*, that the timing of distributions to Holders of Claims in Class 4 shall be governed in all respects by Article 8.8 of the Plan. To the extent that all or a portion of a Disputed Claim is Disallowed, the Holder of such Claim shall not receive any distribution on account of the portion of such Claim that is Disallowed. Notwithstanding any other provision of the Plan, no interest shall accrue or be Allowed on any Claim during the period after the Petition Date, except as provided for in the DIP Orders or to the extent that section 506(b) of the Bankruptcy Code permits interest to accrue and be Allowed on such Claim.

(d) Preservation of Claims and Rights to Settle Claims

Except as otherwise provided in the Plan, or in any contract, instrument, or other agreement or document entered into in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Reorganized Debtors shall retain and may enforce, sue on, settle, compromise, otherwise resolve, discontinue, abandon, or dismiss all claims, rights, Causes of Action, suits, and proceedings, including those described in the Plan Supplement (collectively, the "Retained Actions"), whether at law or in equity, whether known or unknown, that the Debtors or their Estates may hold against any Entity (other than claims, rights, Causes of Action, suits, and proceedings released pursuant to Article 12.4 of the Plan), without the approval of the Bankruptcy Court, subject to the terms of Article 6.2 of the Plan, the Confirmation Order, and any contract, instrument, release, indenture, or other agreement entered into in connection herewith. For the avoidance of doubt, Retained Actions do not include any claim or Cause of Action released pursuant to Articles 12.4 and 12.9 of the Plan. The Reorganized Debtors or their successor(s) may pursue such Retained Actions, as appropriate, in accordance with the best interests of the Reorganized Debtors or their successor(s) that hold such rights.

No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Retained Action against it as any indication that the Reorganized Debtors will not, or may not, pursue any and all available Retained Actions against it. The Reorganized Debtors expressly reserve all rights to prosecute any and all Retained Actions against any Entity. Unless any Retained Action against an Entity is expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Retained Actions for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches shall apply to such Retained Action upon, after, or as consequence of, confirmation or consummation of the Plan. For the avoidance of doubt, all claims, Causes of Action, suits, and proceedings of the Debtors that are not Retained Actions are waived as of the Effective Date. Notwithstanding such additional Retained Actions as may be described within the Plan Supplement, the following described claims and Causes of Action and litigation proceedings shall be Retained Actions:

- Apache Corporation: Any and all Causes of Action the Debtors assert as counterclaims against the Apache Corporation in the Texas state court suit styled as *Apache Corporation v. Castex Offshore, Inc., et al,* Cause No. 2015-48580; 133rd Judicial District Court, Harris County, Texas.

- Marquis Resources, LLC: Any and all Causes of Action, claims, defenses and rights (including setoff rights) held by the Debtors against Marquis Resources, LLC, Shoreline Southeast LLC, and Shoreline Offshore LLC, including—without limitation—the administrative expense claim awarded Castex Energy, Inc., on behalf of the Debtors, in Case No. 16-35571 (Bankr. S.D. Tex. 2017) [Dkt. No. 660], for unpaid joint interest billings and plug and abandonment costs.

- Benefit Street Partners, LLC: Any and all Causes of Action the Debtors assert or are assertable as counterclaims against Benefit Street Partners, LLC in the Texas state court suit styled as *Benefit Street Partners, L.L.C., v. Castex Energy 2005, L.P.*, Cause No. 2017-21029, 334th District, Harris County, Texas.

- State Law Breach of Contract Claims: Any and all Causes of Action assertable by the Debtors for breach of contract against any of the Debtors' contract counter-parties, including—without limitation—any Cause of Action arising out of work performed below contract standards and/or services, materials or equipment provided below contract standards.

- Insurance Policy Claims: Any and all Causes of Action against any insurer of the Debtors arising out of such insurer's obligations under the Debtors' insurance policies.

- Any rights, claims or Causes of Action arising under any assumed contract whenever such right, claim or Cause of Action shall have accrued.

(e) Expenses Incurred after the Effective Date

Except as otherwise ordered by the Bankruptcy Court, and subject to the written agreement of the Reorganized Debtors, the amount of reasonable expenses incurred by any Professional or the Voting Agent on or after the Effective Date in connection with implementation of the Plan, including, without limitation, reconciliation of, objection to, and settlement of claims, shall be paid in Cash by the Reorganized Debtors.

4.9 *Releases, Indemnification, Injunction; Exculpation; Discharge*

(a) "Released Parties" Plan Definition

The Plan defines Released Parties as follows: ***Released Parties*** means, collectively, and each solely in its capacity as such: (a) the Debtors, their respective non-Debtor subsidiaries, and the Estates; (b) the Reorganized Debtors; (c) the Agents, any of their respective predecessors and sub-agents, and any arranger, bookrunner, syndication agent, documentation agent, or other agent in respect of the Prepetition Loan Documents, the DIP Loan Documents, and the Exit Loan Documents, as applicable; (d) each Consenting Lender and each Prepetition Lender that votes to accept the Plan and does not elect to opt out of the releases set forth in the Plan; (e) each DIP Lender and each Exit Lender; (f) each current and former Person or Entity that is or has been a party to the Restructuring Support Agreement and is not in material breach thereof as of the Effective Date; (g) the Exit Facility Parties; (h) all Persons engaged or retained by the parties listed in (a) through (g) of this definition in connection with the Chapter 11 Cases (including in connection with the preparation of any analyses relating to the Plan and the Disclosure Statement); and (i) any and all direct and indirect affiliates, officers, directors, partners, employees, members, managers, members of boards of directors or managers, advisory board members, direct and indirect sponsors, managed accounts and funds, principals, shareholders, advisors, attorneys, actuaries, financial advisors, accountants, investment bankers, agents,

arrangers, professionals, investment managers, fund advisors, and representatives of each of the foregoing Persons and Entities and their respective affiliates (whether current or former, in each case, in his, her, or its capacity as such), together with their respective successors and assigns; *provided*, *however*, **that any holder of an Equity Interest in Castex 2005 shall not constitute a Released Party unless such holder is a Releasing Party under clause (d) of the definition of "Releasing Party."** (Emphasis supplied)

(b) "Releasing Parties" Plan Definition

The Plan defines "Releasing Party as follows: ***Releasing Parties*** means, collectively, and each solely in its capacity as such: (a) each Released Party; (b) each Holder of a Claim that either (i) votes to accept the Plan, (ii) is conclusively deemed to have accepted the Plan, or (iii) receives a Ballot but abstains from voting on the Plan and does not check the appropriate box on such Holder's timely submitted Ballot to indicate such Holder opts out of the releases set forth in Article 12.4 of the Plan; (c) each Holder of a Claim entitled to vote who votes to reject the Plan and does not check the appropriate box on such Holder's timely submitted Ballot to indicate such Holder opts out of the releases set forth in Article 12.4 of the Plan; (d) **each Holder of a Claim or Equity Interest deemed to have rejected the Plan but does not send a notice to the Debtors to opt out of the releases set forth in Article 12.4 of the Plan**; and (e) all other Holders of Claims and Equity Interests to the extent permitted by law. (Emphasis supplied)

(c) Notice to be Given to Non-Solicited Parties

A form of notice shall be provided to each Holder of a Claim or Equity Interest deemed to have rejected the Plan by which the Holders of such Equity Interests may opt out of the releases set forth in Article 12.4 of the Plan. **Any such Holder of an Equity Interest in Castex 2005 that submits such notice opting out of the releases set forth in Article 12.4 of the Plan shall not be a "Releasing Party" or a "Released Party" under the Plan**.

(d) Releases by the Debtor

Pursuant to section 1123(b) of the Bankruptcy Code and to the maximum extent allowed by applicable law, upon the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Debtors, in their individual capacities and as debtors in possession, the Reorganized Debtors and the Estates, in each case on behalf of themselves and their respective successors, assigns, and representatives, and any and all other entities who may purport to assert any claim or Cause of Action, directly or derivatively, by, through, for, or because of the foregoing entities, shall be deemed forever to release, waive, and discharge the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, remedies, actions, Causes of Action, and liabilities whatsoever, including any preference or avoidance claim pursuant to sections 544, 547, 548, 549 and 553 of the Bankruptcy Code or recovery claim under section 550 of the Bankruptcy Code or otherwise and any derivative claims asserted or assertable on behalf of any Debtor, whether for tort, fraud, contract, recharacterization, subordination, violations of federal or state securities laws or laws of any other jurisdiction or otherwise, whether liquidated or unliquidated, fixed or contingent, matured or

unmatured, known or unknown, foreseen or unforeseen, then-existing or thereafter arising, at law, in equity, or otherwise, based in whole or in part on any act, omission, transaction, event or other occurrence, or circumstances taking place on or before the Effective Date, in any way relating to (i) the Debtors or the Chapter 11 Cases; (ii) any investment by any Released Party in any of the Debtors or the purchase, sale, transfer, or rescission of the purchase, sale, or transfer of any security, asset, right, or interest of the Debtors or the Reorganized Debtors; (iii) any action or omission of any Released Party with respect to any indebtedness under which any Debtor is or was a borrower or guarantor, or any equity investment in the Debtors (including, without limitation, any action or omission of any Released Party with respect to the acquisition, holding, voting, or disposition of such investment); (iv) any Released Party in any such Released Party's capacity as an officer, director, direct or indirect sponsor, affiliate, shareholder, employee, or agent of, or advisor to, any Debtor; (v) the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated in the Plan; (vi) the business or contractual arrangements between any Debtor and any Released Party (except for future or continuing performance obligations in connection with such business or contractual arrangement); (vii) the restructuring of Claims and Equity Interests before or during the Chapter 11 Cases, the Restructuring Transactions, and the solicitation of votes with respect to the Plan; and (viii) the negotiation, formulation, preparation, entry into, or dissemination of the Prepetition Loan Documents, the DIP Loan Documents, the Exit Loan Documents, the Plan (including, for the avoidance of doubt, the Plan Supplement and all documents contained or referred to therein), the Disclosure Statement, the Restructuring Support Agreement, the Plan Term Sheet, the New Shared Services Agreement, the Management Incentive Plan, or any agreements, instruments, or other documents relating to any of the foregoing. The Reorganized Debtors shall be bound, to the same extent the Debtors are bound, by the releases and discharges set forth above. Notwithstanding anything contained herein to the contrary, the foregoing release does not release (i) acts of actual fraud, gross negligence, or willful misconduct; or (ii) any obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Exit Loan Documents, the New Constituent Documents, and the Plan Supplement) executed to implement the Plan. For the avoidance of doubt, each executory contract and unexpired lease assumed pursuant to the Plan shall revest in and be fully enforceable by the applicable Reorganized Debtor(s) in accordance with its terms, except as such contract or lease is modified by the provisions of the Plan, any order of the Bankruptcy Court authorizing and providing for its assumption, or applicable law.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described in Article 12.4(a) of the Plan by the Debtors, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute its finding that each release described in this Article is: (i) in exchange for the good and valuable consideration provided by the Released Parties, a good faith settlement and compromise of such claims; (ii) in the best interests of the Debtors and all Holders of Equity Interests and Claims; (iii) fair, equitable, and reasonable; (iv) given and made after due notice and opportunity for hearing; and (v) a bar to any of the Debtors or Reorganized Debtors asserting any claim, Cause of

Action, or liability related thereto, of any kind whatsoever, against any of the Released Parties or their property.

(e) Releases by Holders of Claims and Interests

Upon the Effective Date, to the maximum extent permitted by applicable law, each Releasing Party, in consideration for the obligations of the Debtors and the Reorganized Debtors under the Plan, and the Cash and other contracts, instruments, releases, agreements, or documents to be delivered in connection with the Plan, shall be deemed forever to release, waive, and discharge the Released Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, rights, remedies, actions, Causes of Action, and liabilities whatsoever, including any preference or avoidance claim pursuant to sections 544, 547, 548, 549 and 553 of the Bankruptcy Code or recovery claim under section 550 of the Bankruptcy Code or otherwise and any derivative claims asserted or assertable on behalf of any Debtor, whether for tort, fraud, contract, recharacterization, subordination, violations of federal or state securities laws or laws of any other jurisdiction or otherwise, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then-existing or thereafter arising, at law, in equity, or otherwise, based in whole or in part on any act, omission, transaction, event or other occurrence, or circumstances taking place on or before the Effective Date, in any way relating to (i) the Debtors or the Chapter 11 Cases; (ii) any investment by any Released Party in any of the Debtors or the purchase, sale, transfer, or rescission of the purchase, sale, or transfer of any security, asset, right, or interest of the Debtors or the Reorganized Debtors; (iii) any action or omission of any Released Party with respect to any indebtedness under which any Debtor is or was a borrower or guarantor, or any equity investment in the Debtors (including, without limitation, any action or omission of any Released Party with respect to the acquisition, holding, voting, or disposition of such investment); (iv) any Released Party in any such Released Party's capacity as an officer, director, direct or indirect sponsor, affiliate, shareholder, employee, or agent of, or advisor to, any Debtor; (v) the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated in the Plan; (vi) the business or contractual arrangements between any Debtor and any Released Party (except for future or continuing performance obligations in connection with such business or contractual arrangement); (vii) the restructuring of Claims and Equity Interests before or during the Chapter 11 Cases, the Restructuring Transactions, and the solicitation of votes with respect to the Plan; and (viii) the negotiation, formulation, preparation, entry into, or dissemination of the Prepetition Loan Documents, the DIP Loan Documents, the Exit Loan Documents, the Plan (including, for the avoidance of doubt, the Plan Supplement and all documents contained or referred to therein), the Disclosure Statement, the Restructuring Support Agreement, the Plan Term Sheet, the New Shared Services Agreement, the Management Incentive Plan, or any agreements, instruments, or other documents relating to any of the foregoing. Notwithstanding anything contained herein to the contrary, the foregoing release does not release (i) acts of actual fraud, gross negligence, or willful misconduct; or (ii) any obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Exit Loan Documents, the New Constituent Documents, and the Plan Supplement) executed to implement the Plan. For the avoidance of doubt,

each executory contract and unexpired lease assumed pursuant to the Plan shall revest in and be fully enforceable by the applicable Reorganized Debtor(s) in accordance with its terms, except as such contract or lease is modified by the provisions of the Plan, any order of the Bankruptcy Court authorizing and providing for its assumption, or applicable law.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases described in this Article, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute its finding that each release described in Article 12.4(b) of the Plan is: (i) in exchange for the good and valuable consideration provided by the Released Parties, a good faith settlement and compromise of such claims and Equity Interests; (ii) in the best interests of the Debtors and all Holders of Claims and Equity Interests; (iii) fair, equitable, and reasonable; (iv) given and made after due notice and opportunity for hearing; and (v) a bar to any of the Releasing Parties asserting any claim, Cause of Action, or liability related thereto, of any kind whatsoever, against any of the Released Parties or their property.

(f) Exculpation and Limitation of Liability

None of the Released Parties shall have or incur any liability to, or be subject to any right of action by, any Holder of a Claim or Equity Interest, or any other party in interest in the Chapter 11 Cases, or any of their respective agents, employees, representatives, financial advisors, attorneys or agents acting in such capacity, or direct or indirect affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Cases, the Restructuring Transactions, formulation, negotiation, preparation, dissemination, confirmation, solicitation, implementation, or administration of the Plan, the Plan Supplement and all documents contained or referred to therein, the Disclosure Statement, the Restructuring Support Agreement, the Prepetition Loan Documents, the DIP Loan Documents, the Exit Loan Documents, any contract, instrument, release or other agreement or document created or entered into in connection with the Plan, the Restructuring Transactions, or any other pre- or postpetition act taken or omitted to be taken in connection with or in contemplation of the restructuring of the Debtors or confirming or consummating the Plan (including the issuance of any securities or the distribution of any property under the Plan); *provided*, *however*, that the foregoing provisions of Article 12.5 of the Plan shall have no effect on the liability of any Person or Entity that results from any such act or omission that is determined by a Final Order to have constituted actual fraud, willful misconduct, or gross negligence and shall not impact the right of any Holder of a Claim or Equity Interest, or any other party to enforce the terms of the Plan and the contracts, instruments, releases, and other agreements or documents delivered in connection with the Plan. Without limiting the generality of the foregoing, the Debtors and the Debtors' direct or indirect affiliates, managed accounts and funds, officers, directors, principals, direct or indirect sponsors, shareholders, partners, employees, members, managers, members of boards of managers, advisory board members, advisors, attorneys, financial advisors, accountants, investment bankers, agents and other professionals (whether current or former, in each case, in his, her, or its capacity as such) shall, in all respects, be entitled to reasonably rely

upon the advice of counsel with respect to their duties and responsibilities under the Plan. The exculpated parties have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code with regard to the solicitation and distribution of the securities 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. This exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations, and any other applicable law or rules protecting such exculpating parties from liability.

(g) Injunction

General. All Persons or Entities who have held, hold, or may hold Claims or Equity Interests (other than Claims that are reinstated under the Plan), and all other parties in interest in the Chapter 11 Cases, along with their respective current and former employees, agents, officers, directors, principals, and direct and indirect affiliates, are permanently enjoined, from and after the Effective Date, from, in respect of any claim or Cause of Action released or settled hereunder, (i) commencing, conducting, or continuing in any manner, directly or indirectly, any suit, action, or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative, or other forum) against the Released Parties, the Debtors, or the Reorganized Debtors, or in respect of any claim or Cause of Action released or settled hereunder; (ii) enforcing, levying, attaching, collecting, or otherwise recovering by any manner or means, whether directly or indirectly, of any judgment, award, decree, or order against the Released Parties, the Debtors, or the Reorganized Debtors; (iii) creating, perfecting, or enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Released Parties, the Debtors, or the Reorganized Debtors; (iv) asserting any right of setoff, subrogation, or recoupment of any kind, against any obligation due from the Released Parties, the Debtors, or the Reorganized Debtors, or against the property or interests in property of the Debtors or Reorganized Debtors, on account of such claims or Equity Interests; or (v) commencing or continuing in any manner any action or other proceeding of any kind on account of, in connection with, or with respect to any such claims or Equity Interests released or settled pursuant to the Plan; *provided*, *however*, that nothing contained herein shall preclude such Entities from exercising their rights pursuant to and consistent with the terms hereof and the contracts, instruments, releases, and other agreements and documents delivered under or in connection with the Plan.

Injunction Against Interference With the Plan. Upon entry of the Confirmation Order, all Holders of Claims and Equity Interests and their respective current and former employees, agents, officers, directors, principals, and direct and indirect affiliates shall be enjoined from taking any actions to interfere with the implementation or consummation of the Plan; *provided, however*, that the foregoing shall not enjoin any Consenting Lender from exercising any of its rights or remedies under the Restructuring Support Agreement, in accordance with the terms thereof. Each Holder of an Allowed Claim or Allowed Equity Interest, by accepting, or being eligible to accept, distributions under or reinstatement of

such Claim or Equity Interest, as applicable, pursuant to the Plan, shall be deemed to have consented to the injunction provisions set forth in Article 12.6 of the Plan.

(h) Waiver of Actions Arising Under Chapter 5 of the Bankruptcy Code

Without limiting any other applicable provisions of, or releases contained in the Plan, each of the Debtors, the Reorganized Debtors, their respective successors, assigns, and representatives, and any and all other entities who may purport to assert any claim or Cause of Action, directly or derivatively, by, through, for, or because of the foregoing entities, hereby irrevocably and unconditionally release, waive, and discharge any and all claims or Causes of Action that they have, had or may have that are based on sections 544, 547, 548, 549, and 550 of the Bankruptcy Code and analogous non-bankruptcy law for all purposes. For the avoidance of doubt, none of the claims or Causes of Action referenced in Article 12.9 of the Plan shall constitute Retained Actions

(i) Reservation of Rights

The Plan shall have no force or effect unless and until the Effective Date. Prior to the Effective Date, none of the filing of the Plan, any statement or provision contained in the Plan, or action taken by the Debtors with respect to the Plan, the Disclosure Statement, or the Plan Supplement shall be, or shall be deemed to be, an admission or waiver of any rights of any Debtor or any other party, including the Released Parties, with respect to any Claims or Equity Interests or any other matter.

4.10 *Conditions Precedent to Confirmation and the Effective Date*

(a) Conditions Precedent to Confirmation

It shall be a condition to confirmation of the Plan that the following conditions shall have been satisfied in full or waived in accordance with Article 11.3 of the Plan:

(i) the New Constituent Documents, in form and substance acceptable to the Debtors (in their reasonable discretion) and the Required Consenting Lenders (in their sole discretion), shall have been approved in connection with the Confirmation Order;

(ii) the Exit Credit Agreement, in form and substance consistent with the Plan Term Sheet and acceptable to the Debtors (in their reasonable discretion) and the DIP Lenders and the Required Consenting Lenders (in each case, in their respective sole discretion), shall have been approved in connection with the Confirmation Order;

(iii) the New Shared Services Agreement, in form and substance consistent with the Plan Term Sheet and acceptable to the Debtors, CEI, and the Required Consenting Lenders (in each case, in their respective reasonable discretion), shall have been approved in connection with the Confirmation Order;

(iv) the Disclosure Statement, in form and substance acceptable to the Debtors, the Required DIP Lenders, and the Required Consenting Lenders (in each case, in their respective reasonable discretion), shall have been approved by the Bankruptcy Court as having adequate information in accordance with section 1125 of the Bankruptcy Code;

(v) the Confirmation Order, in form and substance acceptable to the Debtors and CEI (in each case, in their respective reasonable discretion) and the DIP Lenders and the Required Consenting Lenders (in each case, in their respective sole discretion), shall have been entered on the docket for the Chapter 11 Cases and shall not be reversed, vacated, stayed, amended, supplemented or otherwise modified and shall be in full force and effect; and

(vi) the Restructuring Support Agreement shall not have been terminated by CEI, CELL I, the Debtors, or the Required Consenting Lenders.

(b) <u>Conditions Precedent to the Effective Date</u>

The Effective Date shall not occur and the Plan shall not become effective unless and until the following conditions have been satisfied in full or waived in accordance Article 11.3 of the Plan:

(i) the Confirmation Order, in form and substance acceptable to the Debtors, CEI, and CELL I (in each case, in their respective reasonable discretion) and the DIP Lenders and the Required Consenting Lenders (in each case, in their respective sole discretion), shall have become a Final Order in full force and effect;

(ii) the documents comprising the Plan Supplement, including the New Constituent Documents, the Exit Credit Agreement, the New Shared Services Agreement, and the Management Incentive Plan, shall, to the extent applicable, have been executed and delivered, and any conditions (other than the occurrence of the Effective Date or certification that the Effective Date has occurred) contained therein shall have been satisfied or waived in accordance therewith;

(iii) all necessary actions, documents, certificates, and agreements necessary to implement the Plan on the Effective Date shall have been effected or executed and delivered to the required parties and, to the extent required, filed with the applicable governmental units in accordance with applicable laws;

(iv) all applicable governmental authorities shall have granted any necessary consents and approvals required for the Debtors to emerge from chapter 11 pursuant to the Plan and any statutory waiting periods shall have expired;

(v) the Restructuring Support Agreement shall not have been terminated by CEI, CELL I, the Debtors, or the Required Consenting Lenders;

(vi) prior to or as of the Effective Date, payment in full in Cash of any and all accrued but unpaid reasonable advisor fees of the Consenting Lenders pursuant to the

Restructuring Support Agreement for which the Debtors have received invoices or estimates prior to the occurrence of the Effective Date;

(vii) prior to or as of the Effective Date, payment in full in Cash of any and all accrued but unpaid reasonable advisor fees of the Prepetition Agent and Prepetition Lenders pursuant to the DIP Orders for which the Debtors have received invoices or estimates prior to the occurrence of the Effective Date;

(viii) prior to or as of the Effective Date, payment in full in Cash of any and all accrued but unpaid reasonable advisor fees of the DIP Agent and the DIP Lenders pursuant to the DIP Credit Agreement for which the Debtors have received invoices or estimates prior to the occurrence of the Effective Date;

(ix) the Effective Date shall have occurred on or before ten (10) calendar days from entry of the Confirmation Order;

(x) the cure amounts or other payment obligations of any of the Debtors (including as reorganized under and pursuant to the Plan) arising or otherwise resulting from the assumption of executory contracts or unexpired leases, on a per-contract basis and on an aggregate basis, calculated by the Required Consenting Lenders in their reasonable discretion, does not exceed or is not reasonably expected to exceed an amount acceptable to the Required Consenting Lenders in their sole discretion;

(xi) each Debtor shall have used its best efforts, as determined by the Required Consenting Lenders in their sole discretion, to cause the Independent Auditor to complete the COPAS Audits and issue appropriate audit reports to the Debtors, CEI, the Prepetition Agent, and the Consenting Lenders on or before a date that is twenty-one (21) days prior to the occurrence of the Effective Date; and

(xii) the Required Consenting Lenders shall be satisfied with the COPAS Audits in their sole discretion.

(c) Waiver of Conditions

Except with respect to the conditions precedent in Article 11.1(c) and Article 11.2(b) (solely to the extent Article 11.2(b) relates to the New Shared Services Agreement), which can only be waived with the consent of CEI in writing in its reasonable discretion, each of the conditions precedent in Articles 11.1 and 11.2 of the Plan may be waived in writing, in whole or in part, with the consent of the Debtors and the Required Consenting Lenders without notice to any third parties or order of the Bankruptcy Court or any other formal action; *provided*, *however*, the Debtors and the Required Consenting Lenders, as applicable, shall only have the right to waive any such condition to the extent such party has the right to consent to the satisfaction of such condition.

(d) Effect of Non-Occurrence of the Effective Date

If the conditions listed in Articles 11.1 and 11.2 of the Plan are not satisfied or waived in accordance with Article 11.3 of the Plan, then (a) the Confirmation Order shall be of no further force or effect; (b) the Plan shall be null and void in all respects; (c) no distributions under the Plan shall be made; (d) no executory contracts or unexpired leases that were not previously assumed, assumed and assigned, or rejected shall be deemed assumed, assumed and assigned, or rejected by operation of the Plan; (e) the Debtors and all Holders of Claims and Equity Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date; and (f) nothing contained in the Plan or the Disclosure Statement shall (i) be deemed to constitute a waiver or release of (x) any Claims by any creditor or any Debtor or (y) any Claims against, or Equity Interests in, the Debtors, (ii) prejudice in any manner the rights of the Debtors or any other Entity, or (iii) constitute an admission, acknowledgment, offer, or undertaking by the Debtors in any respect.

4.11 *Effects of Confirmation*

(a) Vesting Of Assets; Continued Corporate Existence

On the Effective Date, except as otherwise provided in the Plan or the Exit Credit Agreement, pursuant to sections 1141(b) and 1141(c) of the Bankruptcy Code, all property of the Estates shall vest in the Reorganized Debtors free and clear of all Claims, Liens, encumbrances, charges, and other interests. Except as otherwise provided in the Plan or pursuant to actions taken in connection with, and permitted by, the Plan, each of the Debtors, as Reorganized Debtors, shall continue to exist on and after the Effective Date as a separate legal entity with all of the powers available to such legal entity under applicable law and pursuant to the applicable organizational documents, without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) in accordance with such applicable law. On and after the Effective Date, the Reorganized Debtors shall be authorized to operate their respective businesses and to use, acquire, or dispose of assets, without supervision or approval by the Bankruptcy Court and free from any restrictions of the Bankruptcy Code or the Bankruptcy Rules.

(b) Binding Effect

Subject to the occurrence of the Effective Date and notwithstanding Bankruptcy Rules 3020(e), 6004(h), or 7062, on and after the Confirmation Date, the provisions of the Plan shall be immediately effective and enforceable and deemed binding upon any Holder of a Claim against, or Equity Interest in, the Debtors, and such Holder's respective successors and assigns, (whether or not the Claim or Equity Interest of such Holder is Impaired under the Plan, whether or not such Holder has accepted the Plan, and whether or not such Holder is entitled to a distribution under the Plan), all Entities that are party, or subject, to the settlements, compromises, releases, discharges, and injunctions described in the Plan, each Entity acquiring property under the Plan, and any and all non-Debtor counterparties to executory contracts, unexpired leases, and any other prepetition agreements. All Claims shall be as fixed, adjusted, or compromised, as applicable, pursuant to the Plan regardless of whether any Holder of a Claim or debt has voted on the Plan.

(c) Discharge of Claims

Pursuant to section 1141(d) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan (including with respect to Claims reinstated by the Plan), the distributions, rights, and treatment that are provided in the Plan shall be in complete satisfaction, discharge, and release, effective as of the Effective Date, of all Claims against, and Equity Interests in, the Debtors, and Causes of Action of any nature whatsoever arising on or before the Effective Date, known or unknown, including, without limitation, any interest accrued or expenses incurred on such Claims from and after the Petition Date, against the Debtors, and liabilities of, Liens on, obligations of, and rights against, the Debtors or any of their assets or properties arising before the Effective Date, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims or Equity Interests, in each case whether or not: (a) a proof of Claim or Equity Interest based upon such debt or right is filed or deemed filed pursuant to section 501 of the Bankruptcy Code; (b) a Claim or Equity Interest based upon such debt or right is Allowed pursuant to section 502 of the Bankruptcy Code; or (c) the Holder of such a Claim or Equity Interest has voted to accept the Plan. Any default by the Debtors with respect to any Claim that existed immediately prior to or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. Except as otherwise specifically provided in the Plan (including with respect to Claims reinstated by the Plan), all Entities shall be precluded from asserting against the Debtors, the Reorganized Debtors, or their respective properties or interests in property, any other Claims based on any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date. Except as otherwise provided in the Plan or with respect to Claims reinstated pursuant to the Plan, the Confirmation Order shall be a judicial determination of the discharge of all Claims arising before the Effective Date against the Debtors, subject to the occurrence of the Effective Date.

ARTICLE V
VOTING; CONFIRMATION; ALTERNATIVE TO PLAN

5.1 *Confirmation Standards*

Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Bankruptcy Court has scheduled a Confirmation Hearing for February 20, 2018, at [•] _.m. Central Time. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequently adjourned Confirmation Hearing. Objections to Confirmation of the Plan must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection, and the amount and Class of the Claim. Any such objection must be filed with the Bankruptcy Court on or before February 6, 2018, at 4:00 p.m. Central Time. Objections to Confirmation of the Plan are governed by Bankruptcy Rule 9014.

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

- the Plan has classified Claims and Interests in a permissible manner;

- the Plan complies with the applicable provisions of the Bankruptcy Code;
- the Debtors have complied with the applicable provisions of the Bankruptcy Code;
- the Debtors have proposed the Plan in good faith and not by any means forbidden by law;
- the disclosure required by section 1125 of the Bankruptcy Code has been made;
- the Plan has been accepted by the requisite votes of Creditors and Equity Interest Holders;
- the Plan is feasible and Confirmation will not likely be followed by the liquidation or the need for further financial reorganization of the Debtors or the Reorganized Debtors;
- the Plan is in the "best interests" of all Holders of Claims or Interests in an impaired Class by providing to Creditors or Interest Holders on account of such Claims or Interests property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain in a chapter 7 liquidation, unless each Holder of a Claim or Interest in such Class has accepted the Plan;
- all fees and expenses payable under section 1930 of title 28 of the United States Code, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of such fees on the Effective Date; and
- the disclosures required under section 1129(a)(5) of the Bankruptcy Code concerning the identity and affiliations of persons who will serve as officers and directors of the Reorganized Debtors have been made.

(a) "Best Interests" Test

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

The Debtors submit that the Plan affords Holders of Claims and Interests with recovery that is not less than any Holder of a Claim or Interest would receive in a chapter 7 liquidation. For further discussion, see the discussion and the Debtors' liquidation valuation below in Article 5.3.

(b) Feasibility

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

Further, if no plan under chapter 11 of the Bankruptcy Code can be confirmed, the Chapter 11 Cases may be converted to a chapter 7 case. In a liquidation case under chapter 7 of the Bankruptcy Code, a trustee would be appointed to liquidate the remaining assets of the Debtors and distribute proceeds to creditors. The proceeds of the liquidation would be distributed to the respective creditors of the Debtors in accordance with the priorities established by the Bankruptcy Code. For further discussion of the potential impact on the Debtors of the conversion of the Chapter 11 Cases to a chapter 7 liquidation, see Article 5.3. The Debtors believe that Confirmation and consummation of the Plan and the occurrence of the Effective Date is preferable to the available alternatives.

To determine whether the Plan meets the feasibility requirement, the Debtors, with the assistance of A&M and Evercore, have analyzed their ability to meet their respective obligations under the Plan. Attached hereto as **Exhibit F** is an exhibit showing the Debtors' projections of the Debtors' business operations for the period contained therein (the "Financial Projections"). Creditors and other interested parties should review Article VIII of this Disclosure Statement, entitled "RISK FACTORS," for a discussion of certain factors that may affect the future financial performance of the Reorganized Debtors with respect to the Financial Projections.

THE FINANCIAL PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH PUBLISHED GUIDELINES OF THE SEC OR GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FOR PREPARATION AND PRESENTATION OF PROSPECTIVE FINANCIAL INFORMATION. THE PROJECTED BALANCE SHEETS DO NOT REFLECT THE IMPACT OF FRESH START ACCOUNTING, WHICH COULD RESULT IN A MATERIAL CHANGE TO ANY OF THE PROJECTED VALUES.

ALTHOUGH MANAGEMENT HAS PREPARED THE FINANCIAL PROJECTIONS IN GOOD FAITH AND BELIEVES THE ASSUMPTIONS TO BE REASONABLE, IT IS IMPORTANT TO NOTE THAT NEITHER THE DEBTORS NOR THE REORGANIZED DEBTORS CAN PROVIDE ASSURANCE THAT SUCH ASSUMPTIONS WILL BE REALIZED. AS DESCRIBED BELOW IN SECTION VI, A VARIETY OF RISK FACTORS COULD AFFECT THE REORGANIZED DEBTORS' FINANCIAL RESULTS AND MUST

BE CONSIDERED. ACCORDINGLY, THE PROJECTIONS SHOULD BE REVIEWED IN CONJUNCTION WITH A REVIEW OF THE RISK FACTORS SET FORTH IN ARTICLE VIII BELOW AND THE ASSUMPTIONS DESCRIBED HEREIN, INCLUDING ALL RELEVANT QUALIFICATIONS AND FOOTNOTES AND ANY RESULTING CHANGES TO THE PROJECTIONS COULD BE MATERIAL.

Based on the Financial Projections, the Debtors believe that they will be a viable operation following the Chapter 11 Cases and that the Plan will meet the feasibility requirements of the Bankruptcy Code.

(c) Cram Down

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

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

The Bankruptcy Code establishes different "fair and equitable" tests for secured claims, unsecured claims, and holders of equity interests, in the event classes of such vote to reject confirmation of a plan. Because certain Classes of Holders are deemed to have rejected the Plan, the Debtors reserve the right to request Confirmation under section 1129(b) of the Bankruptcy Code.

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

ii. **Unsecured Claims**. with respect to treatment of an unsecured claim under a plan, "fair and equitable" means either, (i) each impaired unsecured creditor receives or retains property of a value equal to the amount of its allowed claim, or (ii) the holders

of claims and interests that are junior to the claims of the dissenting class will not receive any property under a plan.

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

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

5.2 *Vote Required for Acceptance by a Class*

The Bankruptcy Code defines acceptance of a plan by a class of Claims as acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the allowed Claims of that class held by creditors, other than any entity designated under section 1129(e) of the Bankruptcy Code, who cast ballots for acceptance or rejection of the Plan. For purposes of voting on the Plan and receiving Plan Distributions, votes will be tabulated separately for each Debtor's Plan, and Plan Distributions will be made to each Class as provided in that Debtor's Plan. A Claim against multiple Debtors, to the extent Allowed against each respective Debtor, shall be treated as a separate Claim against each such Debtor for all purposes (including voting and Plan Distributions). Notwithstanding the foregoing, the Debtors reserve the right to seek to substantively consolidate any two or more Debtors, provided that, such substantive consolidation does not materially and adversely impact the amount of the Plan Distributions to any Person.

a) Acceptance by Impaired Classes. Each Impaired Class of Claims that will (or may) receive or retain property or any interest in property under the Plan shall be entitled to vote to accept or reject the Plan. An Impaired Class of Claims shall have accepted the Plan if (i) the holders (other than any holder designated under section 1126(e) of the Bankruptcy Code) of at least two-thirds (2/3) in amount of the Allowed Claims actually voting in such Class have voted to accept the Plan and (ii) the holders (other than any holder designated under section 1126(e) of the Bankruptcy Code) of more than one-half (1/2) in number of the Allowed Claims actually voting in such Class have voted to accept the Plan.

b) Voting Presumptions. Claims in Unimpaired Classes are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan. This applies to Classes 1 and 2, and possibly 5 (in the event treated as Unimpaired), deemed Unimpaired and therefore conclusively presumed to accept the Plan. Claims and Equity Interests in Classes that do not entitle the

holders thereof to receive or retain any property under the Plan are conclusively deemed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code and, therefore, are not entitled to vote to accept or reject the Plan. This is applicable to Classes 6 and 7.

c) Voting Rights. Pursuant to the provisions of the Bankruptcy Code, only Holders of Claims and Equity Interests in Classes that are (a) treated as "impaired" by a plan of reorganization and (b) entitled to receive a distribution under such plan are entitled to vote on the Plan. Under the Plan, only Holders of Claims in Classes 3 and 4 are entitled to vote on the Plan. The Holders of the Class 1, 2 and 5 (if treated as Unimpaired) Claims are Unimpaired and deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code and therefore are not entitled to vote to accept or reject the Plan. Holders of Claims or Interests in Classes 6 and 7 (and 5 if treated as extinguished) are Impaired but are deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

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

5.3 *Alternative to Confirmation Is Chapter 7 Liquidation*

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

There is a strong probability that a chapter 7 trustee in these cases would not possess any particular knowledge about the Debtors. Additionally, a trustee would probably seek the assistance of professionals who may not have any significant background or familiarity with the Chapter 11 Cases. The trustee and any professionals retained by the trustee likely would expend significant time familiarizing themselves with the Chapter 11 Cases. This would result in duplication of effort, increased expenses, and delay in payments to creditors.

The Bankruptcy Court must find that the Holders of Claims and Equity Interests who do not accept the Plan and/or who object to the Plan will receive at least as much under the Plan as such Holders of Claims and Equity Interests would receive in a chapter 7 liquidation. The best

interests of creditors test discussion in disclosure statements is accompanied by a "liquidation analysis" or discussion of what Creditors and Equity Interest Holders would receive upon liquidation of the bankruptcy estate through chapter 7 of the Bankruptcy Code. In effect, the Bankruptcy Code recognizes that the chapter 7 liquidation process is the bankruptcy process that most likely provides the greatest chance of the least amount of recovery; hence the right of the dissenting creditor, regardless of the Vote of the Class, retains this basic right.

A projection of the estimated liquidation value of the Debtors is set forth in **Exhibit G**. The Debtors offer this liquidation analysis for review by those Holders whose Claims and/or Equity Interests are Impaired by the Plan. The Debtors submit that Creditors shall receive recovery of at least the value that they would recover under a chapter 7 liquidation because, among other reasons: (i) of the loss of current management and a chapter 7 trustee likely being unable to run Debtors' businesses; (ii) of the additional administrative expenses involved in the appointment of a trustee and additional attorneys, accountants, and other professionals to assist such trustee (section 726(b) of the Bankruptcy Code elevates the priority of the trustee and his professionals above the administrative expenses of the chapter 11 case); (iii) of the fact that upon the appointment of a trustee the Estates' right to use cash collateral and obtain post-petition financing would terminate; (iv) the Estates would likely be unable to perform necessary contracts given the absence of line of credit financing and could likely be unable to obtain value and suffer default of those contracts; (v) the assets of the Debtors could, by losing ongoing operational value, be valued only as standalone assets to be sold at auction, which would drastically diminish their value given the current state of the oil and gas industry and the probability of reduced maintenance subsequent to the appointment of a chapter 7 trustee and pending auction; and (vi) of the overall diminution in value of Debtors' assets resulting from the disruption and delay caused by the conversion to chapter 7 liquidation, institution of a trustee and resignation of current management.

Through chapter 7 liquidation it would be difficult if not impossible to have a case resolution that included the Restructuring Transactions such that the case resolution would be detrimental to the holders of Equity Interests. In fact, therefore, despite the Effective Date outcome of extinguishment of the Equity Interests in Castex 2005 currently held by the limited partners (common and preferred), the Plan treatment is preferable to liquidation under chapter 7 because of the beneficial results of the Restructuring Transactions under the Plan.

THE DEBTORS SUBMIT THAT THE PLAN AFFORDS RECOVERY TO HOLDERS OF CLAIMS AND EQUITY INTERESTS AT LEAST AS GREAT AS SUCH HOLDERS WOULD RECEIVE IF THE DEBTORS WERE LIQUIDATED UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

5.4 *Valuation of the Debtors*

To determine (i) the amount of the Class 3 RBL Secured Claims (under section 506(a) of the Bankruptcy Code) and (ii) the amount of the aggregate RBL Deficiency Claim the Debtors propose the valuation analysis in **Exhibit H** to this Disclosure Statement ("Valuation Analysis"). The Valuation Analysis is proposed to establish as of the date of Confirmation of the Plan the value of the Debtors' Estates' interests in property of the Estate for purposes of determining the

Valuation of the RBL Secured Claim and RBL Deficiency Claim as of the Effective Date. Also, the Valuation Analysis proposes a Reorganized Debtors' valuation for use in the event of objection to the Plan under section 1129(b) of the Bankruptcy Code and need for pursuing Confirmation thereunder.

5.5 *Plan Supplement*

The Debtors will File certain documents that provide additional details regarding implementation of the Plan in the Plan Supplement, which will be Filed with the Bankruptcy Court no later than seven (7) days before the Voting Deadline or such later date as the Bankruptcy Court may approve. The Debtors will serve a notice that will inform all parties that the Plan Supplement was Filed, list the information included therein, and explain how copies of the Plan Supplement may be obtained. Holders of Claims or Interests that are eligible to vote to accept or reject the Plan shall not be entitled to change their vote based on the contents of the Plan Supplement. It is anticipated that the Plan Supplement will include:

- the new limited liability company agreement of Reorganized Castex 2005 and, if applicable, Reorganized Castex Holdco;
- a list of Retained Actions;
- the New Shared Services Agreement;
- the identity of the members of the new boards and management for the Reorganized Debtors; and
- the Exit Credit Agreement.

Copies of the Plan Supplement documents will be available on the website of the Debtors' Solicitation Agent at https://cases.primeclerk.com/castex (free of charge) or the Bankruptcy Court's website at http://www.txs.uscourts.gov/bankruptcy (for a fee).

ARTICLE VI
CERTAIN FACTORS TO BE CONSIDERED

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

6.1 *Objections to Plan and Confirmation*

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

6.2 *Objections to Classification of Claims and Equity Interests*

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

6.3 *Failure to Obtain Confirmation of the Plan*

The Debtors cannot ensure that they will receive enough acceptances to confirm the Plan. But, even if the Debtors do receive enough acceptances, there can be no assurance that the Bankruptcy Court will confirm the Plan. Even if enough acceptances are received and, with respect to those Classes deemed to have rejected the Plan, the requirements for “cramdown” are met, the Bankruptcy Court, which as a court of equity may exercise substantial discretion, may choose not to confirm the Plan or may require additional solicitations or consents prior to confirming the Plan. Section 1129 of the Bankruptcy Code requires, among other things, that the value of distributions to dissenting holders of Claims and Interests may not be less than the value such holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. Although the Debtors believe that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

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

6.4 *Failure to Consummate or Effectuate a Plan*

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

6.5 *Risk of Non-Occurrence of the Effective Date of the Plan*

Although the Debtors believe that the Effective Date may occur within a reasonable time following the Confirmation Date, there can be no assurance as to such timing.

6.6 *Claims Estimation*

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

6.7 *Risks Associated with the Debtors' Business and Industry*

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

The Debtors' principal sources of liquidity historically have been cash flow from operations, sales of oil and natural gas properties, borrowings under the Credit Agreement, and issuances of debt or equity securities. If the Debtors' cash flow from operations remains depressed or decreases as a result of lower commodity prices or otherwise, the Debtors' ability to expend the capital necessary to replace proved reserves, maintain leasehold acreage, or maintain current production may be limited, resulting in decreased production and proved reserves over time. The Debtors' long-term liquidity requirements and the adequacy of their capital resources are difficult to predict at this time.

Sustained lower prices or any further decline in prices of oil and natural gas would not only reduce the Debtors' revenue, but could reduce the amount of oil and natural gas that they can produce economically, cause the Debtors to delay or postpone their planned capital expenditures and result in further impairments to their oil and gas properties, all of which could have a material adverse effect on the Debtors' financial condition, results of operations and reserves. If the oil and gas industry continues to experience low prices or experiences significant further price declines, the Debtors may, among other things, be unable to maintain or increase their borrowing capacity, repay current or future indebtedness or obtain additional capital on attractive terms.

The Debtors' operations are regulated extensively at the federal, state, and local levels. Environmental and other governmental laws and regulations have increased the costs to plan, design, drill, install, operate, and abandon oil and natural gas wells. Under these laws and regulations, the Debtors could also be liable for personal injuries, property, and natural resource

damage and other damages. Failure to comply with these laws and regulations may result in the suspension or termination of the Debtors' operations and subject them to administrative, civil and criminal penalties. Moreover, public interest in environmental protection has increased in recent years, and environmental organizations have opposed, with some success, certain drilling projects.

BOEM requires all operators in federal waters to provide financial assurances to cover the cost of plugging and abandoning wells and decommissioning offshore facilities. On July 14, 2016, BOEM issued a new Notice to Lessees and Operators ("NTL") that augments requirements for the posting of additional financial assurance by offshore lessees, among others, to assure that sufficient funds are available to perform decommissioning obligations with respect to offshore wells, platforms, pipelines and other facilities. The NTL, effective September 12, 2016, does away with the agency's past practice of waiving supplemental bonding obligations where a company could demonstrate a certain level of financial strength. Instead, BOEM will allow companies to "self-insure," but only up to 10% of a company's "tangible net worth," which is defined as the difference between a company's total assets and the value of all liabilities and intangible assets. The new NTL is likely to result in the loss of supplemental bonding waivers for a large number of operators on the outer continental shelf ("OCS"), which will in turn force these operators to seek additional surety bonds and could, consequently, exceed the surety bond market's current capacity for providing such additional financial assurance. Operators who have already leveraged their assets as a result of the declining oil market could face difficulty obtaining surety bonds because of concerns the surety companies may have about the priority of their lien on the operator's collateral. All of these factors may make it more difficult for the Debtors to obtain the financial assurances required by BOEM to conduct operations on the OCS. These and other changes to BOEM bonding and financial assurance requirements could result in increased costs on the Debtors' operations and consequently have a material adverse effect on their business and results of operations.

The Offshore Assets and Onshore Assets are within South Louisiana and the Gulf of Mexico (off the coast, primarily, of Louisiana). Accordingly, if the level of production from these properties substantially declines or is otherwise subject to a disruption in operations resulting from operational problems, government intervention (including potential regulation) or natural disasters, it could have a material adverse effect on the Reorganized Debtors' overall production level and revenue.

The Reorganized Debtors' operations are located primarily on the OCS in the Gulf of Mexico and in south Louisiana. A number of companies are currently operating in the Gulf of Mexico. If drilling in these areas continues to be successful, the amount of natural gas and oil being produced could exceed the capacity of the various gathering and intrastate or interstate transportation pipelines currently available in this region. If this occurs, it will be necessary for new pipelines and gathering systems to be built. In addition, capital constraints could limit the Reorganized Debtors' ability to build intrastate gathering systems necessary to transport its natural gas and oil to interstate pipelines. In such an event, the Reorganized Debtors might have to shut in its wells awaiting a pipeline connection or capacity or sell natural gas production at significantly lower prices than those quoted on NYMEX or that they currently project, which would adversely affect their results of operations. Further, third parties in control of production

handling and transportation could cause shut in of facilities and transportation systems, outside the control of the Reorganized Debtors.

A portion of the Reorganized Debtors' oil and natural gas production may be interrupted, or shut in, from time to time for numerous reasons, including as a result of weather conditions, accidents, loss of pipeline or gathering system access, field labor issues or strikes, or they might voluntarily curtail production in response to market conditions. If a substantial amount of production is interrupted at the same time, it could temporarily adversely affect their cash flow.

The nature of the oil and natural gas exploration and production business involves certain operating hazards such as: well blowouts; cratering; explosions; uncontrollable flows of oil; natural gas, brine or well fluids; fires; formations with abnormal pressures; environmental hazards such as crude oil spills; natural gas leaks; pipeline and tank ruptures; unauthorized discharges of brine, well stimulation, and completion fluids or toxic gases into the environment; encountering naturally occurring radioactive materials; other pollution; and other hazards and risks.

Any of these operating hazards could result in substantial losses to the Reorganized Debtors. As a result, substantial liabilities to third parties or governmental entities may be incurred. The payment of these amounts could reduce or eliminate the funds available for exploration, development, or acquisitions. These reductions in funds could result in a loss of the Reorganized Debtors' properties. Additionally, the Reorganized Debtors' oil and natural gas operations are located in areas that are subject to weather disturbances such as hurricanes. Some of these disturbances can be severe enough to cause substantial damage to facilities and possibly interrupt production.

The Debtors currently and the Reorganized Debtors will maintain general and excess liability policies, which they consider to be reasonable and consistent with industry standards. These policies generally cover: personal injury; bodily injury; third party property damage; medical expenses; legal defense costs; pollution in some cases; well blowouts in some cases; and workers compensation. As is common in the oil and natural gas industry, the Reorganized Debtors will not insure fully against all risks associated with their businesses either because such insurance is not available or because they believe the premium costs are prohibitive. A loss not fully covered by insurance could have a materially adverse effect on the financial positions and results of operations of the Reorganized Debtors. There can be no assurance that the insurance coverage that they maintain will be sufficient to cover every claim made against the Reorganized Debtors in the future. A loss in connection with their oil and natural gas properties could have a materially adverse effect on their financial position and results of operations to the extent that the insurance coverage provided under insurance policies cover only a portion of any such loss.

6.8 *The Loss of Key Personnel and/or CEI's Management Services Could Adversely Affect the Debtors' Operations*

The Debtors' operations are dependent on a relatively small group of key management personnel, including the management services provided by CEI pursuant to the Shared Services Agreement. 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 may 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.

6.9 *Certain Tax Considerations, Risks and Uncertainties*

THERE ARE A NUMBER OF MATERIAL INCOME TAX CONSIDERATIONS, RISKS, AND UNCERTAINTIES ASSOCIATED WITH CONSUMMATION OF THE PLAN AND WITH FUTURE PERFORMANCE UNDER THE PLAN AFTER THE EFFECTIVE DATE. INTERESTED PARTIES SHOULD READ CAREFULLY THE DISCUSSION SET FORTH IN THIS DISCLOSURE STATEMENT FOR A DISCUSSION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES BOTH TO THE DEBTORS AND TO HOLDERS OF CLAIMS THAT ARE IMPAIRED UNDER THE PLAN.

6.10 *Future legislation may result in the elimination of certain U.S. federal income tax deductions currently available with respect to oil and natural gas exploration and production. Additionally, future federal or state legislation may impose new or increased taxes or fees on oil and natural gas extraction*

Potential legislation, if enacted into law, could make significant changes to U.S. federal and state income tax laws, including the elimination of certain key U.S. federal income tax incentives currently available to oil and gas exploration and production companies. These changes may include, but are not limited to (i) the elimination of current deductions for intangible drilling and development costs; (ii) the modification of the deduction for certain U.S. production activities; and (iii) changes in the amortization period for certain geological and geophysical expenditures. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes could become effective. The passage of this legislation or any other similar changes in U.S. federal and state income tax laws could eliminate or postpone certain tax deductions that are currently available with respect to oil and natural gas exploration and development, and any such change could negatively affect the Reorganized Debtors' financial condition and results of operations.

6.11 *The Exit Credit Agreement May Impose Significant Additional Costs and Operating and Financial Restrictions on the Reorganized Debtors, Which May Prevent Them From Capitalizing on Business Opportunities and Taking Certain Actions*

The Exit Credit Agreement may impose significant additional costs and operating and financial restrictions. These restrictions may also limit the ability of the Reorganized Debtors to, among other things: incur additional indebtedness or issue certain (voting) preferred stock; pay dividends or make other distributions; make other restricted payments or investments; sell assets or use the proceeds from asset sales; create liens; maintain a cash balance in excess of a specified cap; incur general and administrative expenses in excess of a specified cap; engage in

transactions with affiliates; and consolidate, merge, or transfer all or substantially all of the Reorganized Debtors' assets.

The Reorganized Debtors' compliance with these provisions may materially adversely affect their ability to react to changes in market conditions, take advantage of business opportunities they believe to be desirable, obtain future financing, fund needed capital expenditures, finance acquisitions, equipment purchases and development expenditures, or withstand the present or any future downturn in its business.

6.12 *The Exit Credit Agreement May Include Financial Covenants That Limit the Financial Flexibility of the Reorganized Debtors*

The Exit Credit Agreement may require financial covenants that, among other things, require the Reorganized Debtors to maintain a minimum amount of liquidity, a leverage ratio, and asset coverage ratios. Compliance with these financial covenants may restrict future business and financing activity, including the ability to incur future indebtedness. In addition, the ability of the Reorganized Debtors to comply with these financial covenants may be affected by events outside of their control, and they cannot provide assurance that they will be able to meet these financial covenants. Failure to comply with these financial covenants could lead to a default under the Exit Credit Agreement.

6.13 *Certain Risks Relating to the Shares of New Equity Interests Issued Under the Plan*

- Significant Holders

As set forth above, after the Effective Date, the DIP Lenders and to holders of RBL Secured Claims will receive 100% of the New Equity Interests, subject to the dilution for the Management Incentive Plan and as otherwise set forth herein. Such Holders will be in a position to control the outcome of all actions requiring equity holder approval, including the election of directors. This concentration of ownership could also facilitate or hinder a negotiated change of control of the Reorganized Debtors and, consequently, have an impact upon the value of the New Equity Interests.

- Lack of Established Market for New Equity Interests

A liquid trading market for the New Equity Interests issued under the Plan likely does not exist. The future liquidity of the trading markets for the New Equity Interests will depend, among other things, upon the number of Holders of such securities and whether such securities become listed for trading on an exchange or trading system at some future time.

- The Financial Projections Set forth in this Disclosure Statement May Not Be Achieved

The Financial Projections are based on numerous assumptions that are an integral part thereof, including, but not limited to, Confirmation and consummation of the Plan in accordance with its terms, the anticipated future performance of the Reorganized Debtors, industry

performance, general business and economic conditions, competition, adequate financing, absence of material claims, the ability to make necessary capital expenditures, the ability to establish strength in new markets and to maintain, improve, and strengthen existing markets, customer purchasing trends and preferences, the ability to increase gross margins and control future operating expenses, and other matters, many of which are beyond the control of the Reorganized Debtors. In addition, unanticipated events and circumstances occurring subsequent to the date of this Disclosure Statement may affect the actual financial results of the operations of the Reorganized Debtors. These variations may be material and adverse. Because the actual results achieved throughout the periods covered by the Financial Projections will vary from the projected results, the Financial Projections should not be relied upon as a guaranty, representation, or other assurance of the actual results that will occur.

ARTICLE VII
CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

7.1 *Introduction*

THE FOLLOWING DISCUSSION SUMMARIZES CERTAIN UNITED STATES ("U.S.") FEDERAL INCOME TAX CONSEQUENCES OF THE IMPLEMENTATION OF THE PLAN TO THE DEBTORS, THE REORGANIZED DEBTORS AND CERTAIN HOLDERS OF CLAIMS OR EQUITY INTERESTS. THIS SUMMARY IS BASED ON THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "TAX CODE"), THE U.S. TREASURY REGULATIONS PROMULGATED THEREUNDER (THE "TREASURY REGULATIONS"), JUDICIAL DECISIONS AND PUBLISHED ADMINISTRATIVE RULES, AND PRONOUNCEMENTS OF THE INTERNAL REVENUE SERVICE (THE "IRS"), ALL AS IN EFFECT ON THE DATE HEREOF (COLLECTIVELY, "APPLICABLE TAX LAW"). CHANGES IN THE APPLICABLE TAX LAW OR NEW INTERPRETATIONS OF THE APPLICABLE TAX LAW MAY HAVE RETROACTIVE EFFECT AND COULD SIGNIFICANTLY AFFECT THE U.S. FEDERAL INCOME TAX CONSEQUENCES DESCRIBED BELOW. THE DEBTORS HAVE NOT REQUESTED, AND WILL NOT REQUEST, ANY RULING OR DETERMINATION FROM THE IRS 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 WOULD NOT ASSERT, OR THAT A COURT WOULD NOT SUSTAIN, A DIFFERENT POSITION THAN ANY POSITION DISCUSSED HEREIN.

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 TAX CODE, FOREIGN TAXPAYERS, 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 EQUITY INTERESTS OR WHO WILL HOLD THE NEW EQUITY INTERESTS 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 EQUITY INTERESTS WHO ARE THEMSELVES IN BANKRUPTCY). FURTHERMORE, THIS SUMMARY ASSUMES THAT A HOLDER OF A CLAIM OR EQUITY INTEREST HOLDS ONLY CLAIMS OR EQUITY INTERESTS IN A SINGLE CLASS AND HOLDS A CLAIM OR EQUITY INTEREST ONLY AS A "CAPITAL ASSET" (WITHIN THE MEANING OF SECTION 1221 OF THE TAX CODE). 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 TAX CODE. THIS SUMMARY DOES NOT DISCUSS DIFFERENCES IN TAX CONSEQUENCES TO HOLDERS OF CLAIMS OR EQUITY INTERESTS THAT ACT OR RECEIVE CONSIDERATION IN A CAPACITY OTHER THAN ANY OTHER HOLDER OF A CLAIM OR EQUITY INTEREST OF THE SAME CLASS OR CLASSES, AND THE TAX CONSEQUENCES FOR SUCH HOLDERS MAY DIFFER MATERIALLY FROM THAT DESCRIBED BELOW. EXCEPT WHERE MAY BE SPECIFICALLY NOTED BELOW, THIS SUMMARY DOES NOT ADDRESS THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS WHOSE CLAIMS ARE NOT IMPAIRED.

For purposes of this discussion, a "U.S. Holder" is a Holder of a Claim or Equity Interest that is: (a) an individual citizen or resident of the United States for U.S. federal income tax purposes; (b) 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; (c) an estate the income of which is subject to U.S. federal income taxation regardless of the source of such income; or (d) a trust (i) 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 (ii) 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 Equity Interest 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 Equity Interest, 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 Equity Interests should

consult their respective tax advisors regarding the U.S. federal income tax consequences of the Plan.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN U.S. 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.

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

(a) The Restructuring Transactions Are Being Structured as a Taxable Transaction

In general, the Restructuring Transactions are being structured as a taxable transfer of assets by the Debtors to the Reorganized Debtors by the conveyance of such assets from CEH LP (and consequently the assets of the other Debtors, who are subsidiaries of CEH LP) to Reorganized Castex Holdco. In connection with the taxable transfer of assets, the Holders of the RBL Claims and the Holders of the DIP Claims will surrender those Claims to Reorganized Castex Holdco in exchange for loans under the Credit Agreement, Exit Senior Secured Term Loans and New Equity Interests of Reorganized Castex Holdco. The tax consequences of these transactions on Castex 2005, the other Debtors, and the holders of Claims and Equity Interests in the Debtors are described immediately below. A detailed description of the Restructuring Transactions is set forth in Article 6.2 of the Plan and in Article 4.6(d) of this Disclosure Statement.

The Debtors other than Castex 2005 and COI are disregarded entities of Castex 2005 for U.S. federal income tax purposes, and the merger of CELL II and CELL IV with and into Castex 2005 as part of the Restructuring Transactions should be ignored for U.S. federal income tax purposes, as should the contribution of the stock of COI by Castex 2005 to CEP. The conveyance of the Equity Interests in Castex 2005 to Reorganized Castex Holdco should be treated as a taxable transfer of all of the Debtors' assets and the stock of COI in exchange for the assumption of the indebtedness of Debtors by Reorganized Castex Holdco for federal income tax purposes. Because CEH LP will be a partnership for U.S. federal income tax purposes, CEH LP's items of gain or loss in connection with these transfers should be allocated to the Holders of Equity Interests of CEH LP. The Debtors expect that substantial losses should be generated in connection with such transfers, but the amount of loss allocated to any particular unitholder will depend on the value of the Debtors' assets on the Effective Date, which value will be determined by Reorganized Castex Holdco's Board of Managers after the Effective Date, and the personal circumstances of the Holder (including the amount the Holder paid for the Equity Interest of Castex 2005 and their holding period). With the exception of COI, which is a wholly-owned subsidiary of Castex 2005, each of the Debtors is treated as a partnership or "disregarded entity"

for U.S. federal income tax purposes, and accordingly the U.S. federal income tax consequences of the Plan generally will not be borne by the Debtors but instead will be borne by the Holders of the Equity Interests of CEH LP.

The cancellation of Claims against the Debtors should give rise to cancellation of indebtedness income ("CODI"). Because Castex Energy Holdings, L.P. will be a partnership for U.S. federal income tax purposes, such CODI will be allocated to the Holders of Equity Interests in CEH LP. The CODI may be offset by any ordinary losses generated by the taxable sale of assets by Castex Energy Holdings, L.P. to Reorganized Castex Holdco. The amount of CODI will depend on the value of the Reorganized Debtors' assets as of the Effective Date, which value will be determined by Reorganized Castex Holdco's Board of Managers after the Effective Date.

Unless the parties otherwise jointly elect (and such election is not intended to be made in connection with the Restructuring Transactions), the Tax Code requires a modification of a debt instrument as part of a sale or exchange (for U.S. federal income tax purposes) to be treated as one in which the assumed debt instrument was first modified and then the modified debt instrument was assumed in the sale or exchange, with the effect that the modification is treated as occurring before the sale or exchange. The CODI attributable to the modification of the debt instruments will therefore be deemed to be recognized while the debt is still an obligation of the seller.

Accordingly, because the joint election will not be made by the parties, CEH LP will first recognize CODI attributable to the exchange of RBL Claims and the DIP Claims for the loans under the Exit Credit Agreement and the Exit Senior Secured Term Loans. CEH LP should then recognize gain or loss arising from the sale of the assets of Debtors in exchange for the assumption of the loans under the Exit Credit Agreement and the Exit Senior Secured Term Loans. Following the sale of assets of Debtors, Reorganized Castex Holdco should be deemed to issue New Equity Interests to the Holders of the loans under the Exit Credit Agreement and the Exit Secured Term Loans Pro Rata in accordance with the relative principal amount held by such Holder in exchange for the surrender by each Holder of an equivalent value of loans under the Exit Credit Agreement and the Exit Secured Term Loans.

7.3 *Certain U.S. Federal Income Tax Consequences to Certain U.S. Holders of Claims or Equity Interests*

The following discussion assumes that the Debtors will undertake the Restructuring Transactions currently contemplated by the Plan. Holders of Claims or Equity Interests are urged to consult their tax advisors regarding the tax consequences of the Restructuring Transactions.

As part of the Plan, the loans under the Prepetition Loan Documents and DIP Loan Documents will be satisfied, in whole or in part, with loans under the Exit Credit Agreement or the Exit Senior Secured Term Loans and New Equity Interests. For U.S. federal income tax purposes, this will be treated as a modification of the loans. Generally, a modification of a debt instrument will be treated, for U.S. federal income tax purposes, as resulting in a deemed

exchange of an old debt instrument for a new debt instrument if the modification is "significant", as determined for U.S. federal income tax purposes. The Treasury Regulations provide that a modification of a debt instrument is generally a "significant modification" for U.S. federal income tax purposes if, based on all the facts and circumstances and considering certain modifications of the debt instrument collectively, the degree to which the legal rights and obligations are altered is "economically significant." As a result of the modifications between the loans under the Prepetition Loan Documents and DIP Loan Documents, the Debtors believe there will be an "exchange" for federal income tax purposes of the loans under the Prepetition Loan Documents and DIP Loan Documents for the loans under the Exit Credit Agreement or the Exit Senior Secured Term Loans and New Equity Interests, and will result in Holders of such Claims recognizing gain or loss.

(a) U.S. Federal Income Tax Consequences to U.S. Holders of Allowed RBL Secured Claims

Pursuant to the Plan, except to the extent that a U.S. Holder of an Allowed RBL Secured Claim agrees to a less favorable treatment of its Allowed RBL Secured Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for such Claim, the U.S. Holder of such Claim shall receive its Pro Rata share of 100% of the New Equity Interests (reduced by the portion allocated and reserved for the Management Incentive Plan and the General Equity Pool, and subject to dilution by DIP Equity Shares). In addition, (a) if such Holder votes to accept the Plan and does not elect to opt out of the releases set forth in the Plan, such Holder will receive its Pro Rata share of $90 million of loans and $105 million of commitments under the reserve-based lending facility under the Exit Credit Agreement and its Pro Rata share of $55 million of term loans under the Exit Credit Agreement (in each case subject to reduction in accordance with "Schedule 1" to the Plan Term Sheet); or (b) if such Holder (x) abstains from voting on the Plan, (y) votes to reject the Plan, or (z) votes to accept the Plan but elects to opt out of the releases set forth in the Plan, such Holder will receive its Pro Rata share of an aggregate principal amount of Exit Senior Secured Term Loans determined in accordance with "Schedule 2" to the Plan Term Sheet. In addition, on the Effective Date, the Debtors or Reorganized Debtors (as applicable) shall pay all fees, costs, expenses, and disbursements of the Agents, the DIP Secured Parties, and the Consenting Lenders (including the fees, costs, expenses, and disbursements of counsel, consultants, and any other advisors for such Persons), in each case, that have accrued and are unpaid as of the Effective Date and are required to be paid under or pursuant to the applicable DIP Order or the Restructuring Support Agreement without regard to any applicable review period provided by such DIP Order or Restructuring Support Agreement.

U.S. Holders of RBL Secured Claims should be treated as exchanging such Claim for either (a) New Equity Interests and loans and commitments under the Exit Credit Agreement, or (b) New Equity Interests and Exit Senior Secured Term Loans (as applicable), each in a taxable exchange under section 1001 of the Tax Code. Accordingly, other than with respect to any amounts received that are attributable to accrued but untaxed interest (or original issue discount), each U.S. Holder of such Claim should recognize gain or loss equal to the difference between (a) either (i) the sum of the fair market value of the New Equity Interests and the issue price of the loans and commitments under the Exit Credit Agreement, or (ii) the sum of the value of the New

Equity Interests and the issue price of the Exit Senior Secured Term Loans (as applicable and as discussed in Article 7.3(i) of this Disclosure Statement, entitled "Determination of Issue Price for the Exit Credit Agreement and the Exit Senior Secured Term Loans" received by such U.S. Holder in exchange for the Claim, and (b) such U.S. Holder's adjusted basis, if any, in such Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss 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, whether the Claim was purchased at a discount, and whether and to what extent the U.S. Holder previously has claimed a bad debt deduction with respect to its Claim. The deductibility of capital losses is subject to limitations, as discussed in Article 7.3(h) of this Disclosure Statement, entitled "Limitation on Use of Capital Losses".

A U.S. Holder's tax basis in its Pro Rata share of the New Equity Interests and the loans and commitments under the Exit Credit Agreement or the Exit Senior Secured Term Loans (as applicable) received should equal the fair market value of such New Equity Interests and the issue price such Pro Rata share of the loans and commitments under the Exit Credit Agreement or the Exit Senior Secured Term Loans (as applicable) as of the Effective Date. A U.S. Holder's holding period for its Pro Rata share of the New Equity Interests and the loans and commitments under the Exit Credit Agreement or the Exit Senior Secured Term Loans (as applicable) should begin on the day following the Effective Date.

(b) U.S. Federal Income Tax Consequences to U.S. Holders of Allowed DIP Claims

Pursuant to the Plan, except to the extent that a U.S. Holder of an Allowed DIP Claim agrees to a less favorable treatment of its Allowed DIP Claim, in full and final satisfaction, settlement, release, and discharge of and in exchange for such Claim, the U.S. Holder of such Claim shall receive (i) an amount in Cash equal to its Pro Rata share of the Allowed amount of all accrued and unpaid interest, fees, and penalties under the DIP Loan Documents as of the Effective Date, (ii) a principal amount of term loans under the Exit Credit Agreement equal to its Pro Rata share of the Allowed amount of all outstanding principal loans under the DIP Credit Agreement as of the Effective Date, and (iii) its DIP Equity Share of New Equity Units. Distribution to each Holder of an Allowed DIP Claim shall be subject to the rights and the terms of the Exit Credit Agreement.

A U.S. Holder of an Allowed DIP Claim will be treated as receiving its distributions under the Plan in a taxable exchange under section 1001 of the 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 (a) the sum of the Cash received, the fair market value of the DIP Equity Share of the New Equity Interests, and the issue price of the term loans under the Exit Credit Agreement received in exchange for the Claim (as discussed in Article 7.3(i) of this Disclosure Statement, entitled "Determination of Issue Price for the Exit Credit Agreement and the Exit Senior Secured Term Loans" and (b) such U.S. Holder's adjusted basis, if any, in such Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss 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, whether the Claim was purchased at a discount, and whether and to what extent the U.S. Holder

previously has claimed a bad debt deduction with respect to its Claim. The deductibility of capital losses is subject to limitations, as discussed in Article 7.3(h) of this Disclosure Statement, entitled "Limitation on Use of Capital Losses".

U.S. Holders of such Claims should obtain a tax basis in the term loans under the Exit Credit Agreement, other than any such amounts treated as received in satisfaction of accrued but untaxed interest, equal to the issue price of the term loans as of the Effective Date. A U.S. Holder's tax basis in its New Equity Interests received should equal the fair market value of such New Equity Interests as of the Effective Date. The holding period for any such loans under the Exit Credit Agreement and the New Equity Interests should begin on the day following the Effective Date.

(c) U.S. Federal Income Tax Consequences to U.S. Holders of Allowed General Unsecured Claims

Pursuant to the Plan, except to the extent that a U.S. Holder of an Allowed General Unsecured Claim agrees to a less favorable treatment of its Allowed Claim, in exchange for full and final satisfaction, settlement, release, and discharge of and in exchange for such Claim, the U.S. Holder of such Claim shall receive its Pro Rata share of the General Equity Pool, which distribution of New Equity Interests shall be made in accordance with Article 8.8 of the Plan; provided, however, that if each Class of General Unsecured Claims accepts the Plan, (i) the distribution of New Equity Interests to the DIP Lenders and to the Holders of RBL Secured Claims shall not be subject to dilution by the General Equity Pool and (ii) each Prepetition Lender voting to accept the Plan and not electing to opt out of the releases set forth in the Plan shall waive any recovery or distribution on account of (but not voting rights in respect of) its Allowed RBL Deficiency Claim for the benefit of Holders of other Allowed General Unsecured Claims (collectively, the "Beneficiary Claimants") such that each Beneficiary Claimant shall not receive any distribution on account of its Allowed General Unsecured Claim other than Cash in an amount equal to the lesser of (i) the Allowed amount of its General Unsecured Claim and (ii) its Pro Rata share of the General Unsecured Claims Cash Distribution, which distribution of Cash shall be made in accordance with Article 8.8 of the Plan.

U.S. Holders of Allowed General Unsecured Claims should be treated as exchanging such Claims for the consideration received in a taxable exchange under section 1001 of the Tax Code. Accordingly, other than with respect to any amounts received that are attributable to accrued but untaxed interest (or original issue discount), each U.S. Holder of such Claim should recognize gain or loss equal to the difference between (a) the fair market value of the New Equity Interests received or the Cash received (as applicable) in exchange for the Claim and (b) such U.S. Holder's adjusted basis, if any, in such Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss 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, whether the Claim was purchased at a discount, and whether and to what extent the U.S. Holder previously has claimed a bad debt deduction with respect to its Claim. The deductibility of capital losses is subject to limitations, as discussed in Article 7.3(h) of this Disclosure Statement, entitled "Limitation on Use of Capital Losses". A U.S. Holder's tax basis in the New Equity Interests received should equal the fair market value of such New Equity Interests as of the

Effective Date. A U.S. Holder's holding period for the New Equity Interests received should begin on the day following the Effective Date.

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE RECOGNITION OF GAIN OR LOSS, FOR FEDERAL INCOME TAX PURPOSES, ON THE SATISFACTION OF THEIR CLAIMS.

(d) U.S. Federal Income Tax Consequences to U.S. Holders of Castex 2005 Preferred Units

Pursuant to the Plan, all Preferred Units obtained by CEH LP from the Holders of Castex 2005 Preferred Units (in exchange for CEH LP Preferred Units), shall be cancelled and shall be of no further force and effect, whether surrendered for cancellation or otherwise, and CEH LP will receive no recovery for its Castex 2005 Preferred Units, and the CEH LP Preferred Units should recognize loss equal to the tax basis of their CEH LP Preferred Units.

Because CEH LP is modifying the Debtors' indebtedness and is transferring all of the assets of the Debtors to Reorganized Castex Holdco in a taxable transaction (*see* Article 7.2(a) of this Disclosure Statement entitled, "The Restructuring Transactions Are Being Structured as a Taxable Transaction"), CEH LP will recognize CODI from the exchange of RBL Claims for loans under the Exit Credit Agreement and the Exit Senior Secured Term Loans and will recognize gain or loss from the deemed asset transfer. None of the CODI will be allocated to the Holders of the CEH LP Preferred Units, but it is possible that some of the loss (if any) arising from the deemed asset transfer may be allocated to the Holders of the CEH LP Preferred Units if the loss cannot be allocated to the Holders of the CEH LP Regular Units because the losses exceed the positive capital accounts of the Holders of the CEH LP Regular Units. Any loss allocated to a Holder of CEH LP Preferred Units will decrease the tax basis of that Holder's CEH LP Preferred Units. These adjustments to the tax basis of the CEH LP Preferred Units will occur prior to the cancellation of such Preferred Units for no consideration.

(e) U.S. Federal Income Tax Consequences to U.S. Holders of Castex 2005 Regular Units

Pursuant to the Plan, the Castex 2005 Regular Units obtained by CEH LP from the Holders of Castex 2005 Regular Units (in exchange for CEH LP Regular Units) shall be cancelled and shall be of no further force and effect, whether surrendered for cancellation or otherwise, and CEH LP will receive no recovery for its Castex 2005 Regular Units and the Holders of CEH LP Regular Units should recognize loss equal to the tax basis of their CEH LP Regular Units.

Because CEH LP is modifying the Debtors' indebtedness and is transferring all of the assets of the Debtors to Reorganized Castex Holdco in a taxable transaction (*see* Article 7.2(a) of this Disclosure Statement entitled, "The Restructuring Transactions Are Being Structured as a Taxable Transaction"), CEH LP will recognize CODI from the exchange of RBL Claims for loans under Exit Credit Agreement and the Exit Senior Secured Term Loans and will recognize gain or loss from the deemed asset transfer. The CODI recognized by CEH LP will be allocated

to the Holders of the CEH LP Regular Units in accordance CEH LP limited partnership agreement. Additionally, gain or loss arising from the deemed asset transfer will be allocated to the Holders of the CEH LP Regular Units in accordance with the CEH LP limited partnership. Any gain allocated to a Holder of CEH LP Regular Units will increase the tax basis of that Holder's CEH LP Regular Units, and any loss allocated to a Holder of CEH LP Regular Units will decrease the tax basis of that Holder's CEH LP Regular Units. These adjustments to the tax basis of the CEH LP Regular Units will occur prior to the cancellation of such Regular Units for no consideration.

(f) 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 should consult their own tax advisors regarding the proper allocation of the consideration received by them.

U.S. HOLDERS SHOULD 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.

(g) Market Discount

Under the "market discount" provisions of the 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 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 original issue discount, 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).

U.S. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE APPLICATION OF THE MARKET DISCOUNT RULES TO THEIR CLAIMS.

(h) Limitation on Use of Capital Losses

A U.S. Holder of a Claim 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.

(i) Determination of Issue Price for the Exit Credit Agreement and the Exit Senior Secured Term Loans

As noted above, Holders of RBL Secured Claims will receive their Pro Rata share of (a) New Equity Interests and (b) either (i) the loans and commitments under the Exit Credit Agreement, or (ii) the Exit Senior Secured Term Loans (as applicable), in satisfaction of their Claims. In each case, the amount of gain or loss recognized by U.S. Holders of such Claims will be determined, in part, by the issue price of a U.S. Holder's Pro Rata share of the new debt received. The determination of "issue price" for purposes of this analysis will depend, in part, on whether the RBL Secured Claims, the loans under the Exit Credit Agreement and the Exit Senior Secured Term Loans are 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 that are so traded 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 considered to 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.

Although not free from doubt, the Debtors believe it is likely that the RBL Secured Claims against the Debtors and/or the loans under the Exit Credit Agreement being issued will be considered to be traded on an established market for these purposes. As a result, the issue price of loans under the Exit Credit Agreement may not equal their stated redemption price at maturity and such debt instruments may be treated as issued with original issue discount ("OID"). However, this is outside the control of the Debtors and the Reorganized Debtors, so there can be no assurance that the loans under the Exit Credit Agreement will be traded on an established market on or after the Effective Date. If the loans under the Exit Credit Agreement are not treated as traded on an established market, then the issue price for such loans should be the stated redemption price at maturity and accordingly such debt instruments will not be issued with OID.

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.

Because the Exit Senior Secured Term Loans have an aggregate principal amount of less than $100 million,[14] the Exit Senior Secured Term Loans should be deemed under the applicable Treasury Regulations to be not traded on an established market even if there are firm or indicative quotes with respect to such Exit Senior Secured Term Loans. As a result, the issue price of the Exit Senior Secured Term Loans should equal their stated redemption price at maturity and accordingly such debt instruments will not be issued with OID.

In general, interest (including OID) received or accrued by U.S. Holders should be treated as ordinary income.

[14] Subject to confirmation of this amount.

(j) U.S. Federal Income Tax Consequences to Holders of Owning and Disposing of New Equity Interests[15]

The New Equity Interests will constitute a single class of equity interest in a state-law limited liability company. The Restructuring Support Agreement requires that the Plan and the corporate form of Reorganized Castex Holdco (i.e., the issuer of the New Equity Interests) be structured (i) to achieve a tax efficient structure, in a manner acceptable to the Debtors, the RBL Agent (as defined in the Restructuring Support Agreement), and the Required Consenting Lenders after appropriate diligence by the respective parties or (ii) as provided by the Restructuring Transactions, subject to the review and approval of the RBL Agent and the Required Consenting Lenders. While the final corporate form of the issuer of the New Equity Interests is expected to be a limited liability company, its classification for U.S. federal income tax purposes has not been determined as of the date hereof. The Debtors expect that such Entity will be classified as a partnership for U.S. federal income tax purposes, but it could elect to be classified as an associating taxed as a corporation. The discussion below briefly addresses both alternatives.

(k) Distributions/Dividends on New Equity Interests

Partnership

A tax partnership generally does not pay entity-level income tax, but passes income, gain, loss and deductions through to its partners. A partner may be allocated net taxable income or gain in any taxable year, but may not receive any distributions for that year and so may be required to use other sources of funds to pay any income taxes arising from such income or gain.

Any distributions made on account of the New Equity Interests issued by a tax partnership will constitute a non-taxable return of capital to the extent of the U.S. Holder's tax basis in the New Equity Interests, reducing the U.S. Holder's basis in such interests. Any such distributions in excess of the Holder's basis in its New Equity Interests (determined on an aggregate basis) generally should be treated as capital gain. The U.S. Holder's basis in the New Equity Interests will be increased by contributions of capital and allocations of income or gain and decreased by distributions received and allocations of deductions or losses; indebtedness of the partnership that is allocated to the U.S. Holder will provide the U.S. Holder additional basis in the New Equity Interests, but that additional basis will be reduced as such indebtedness is repaid.

Corporation

Any distributions made on account of the New Equity Interests issued by an entity treated as a corporation for federal income tax purposes will constitute dividends for U.S. federal

[15] The form of the New Equity Interests to be issued pursuant to the Management Incentive Plan has not been determined as of the date hereof (although Debtors expect that such New Equity Interests will be equivalent to those issued to the U.S. Holders), and so the U.S. federal income tax treatment of the New Equity Interests issued pursuant to the Management Incentive Plan is not discussed herein.

income tax purposes to the extent of the current or accumulated earnings and profits of such corporation as determined under U.S. federal income tax principles. 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 such current and accumulated earnings and profits, 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 Holder's basis in its shares (determined on a share-by-share basis) generally should be treated as capital gain.

Dividends paid to U.S. Holders that are corporations generally should be eligible for the dividends-received deduction so long as there are sufficient earnings and profits. However, the dividends-received deduction is only available if certain holding period requirements are satisfied. The length of time that a U.S. Holder has held its New Equity Interests is reduced for any period during which the Holder's risk of loss with respect to the New Equity Interests is diminished by reason of the existence of certain options, contracts to sell, short sales, or similar transactions. In addition, to the extent that a corporation incurs indebtedness that is directly attributable to an investment in the New Equity Interests on which the dividend is paid, all or a portion of the dividends received deduction may be disallowed.

(l) Sale, Redemption, or Repurchase of New Equity Interests

Unless a non-recognition provision applies, U.S. Holders generally will recognize capital gain or loss upon the sale, redemption, or other taxable disposition of New Equity Interests; however, if the New Equity Interests are issued by a tax partnership, then a portion of the profit may be ordinary income if attributable to inventory or unrealized receivables of the partnership, or recaptured depreciation or depletion. Such capital gain will be long-term capital gain if at the time of the sale, exchange, retirement, or other taxable disposition, the U.S. Holder held the New Equity Interests 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. *See* Article 7.3(h) of this Disclosure Statement, entitled "Limitation on Use of Capital Losses."

(m) Medicare Tax

Certain U.S. Holders that are individuals, estates, or trusts are required to pay an additional 3.8 percent tax on, among other things, income allocated from certain partnerships, dividends paid by a corporation, and gains from the sale or other disposition of capital assets. U.S. Holders that are individuals, estates, or trusts should consult their tax advisors regarding the effect, if any, of this tax provision on their ownership and disposition of partnership interests and corporate stock.

7.4 *Certain U.S. Federal Income Tax Consequences to Certain non-U.S. Holders of Claims or Equity Interests*

(a) Consequences to Non-U.S. Holders of Claims or Equity Interests

The following discussion 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. Holders should consult its own tax advisor regarding the U.S. federal, state, and local and the foreign tax consequences of the consummation of the Plan to such non-U.S. Holders and the ownership and disposition of the various forms of consideration non-U.S. Holders may receive under the Plan.

Whether a non-U.S. Holder realizes gain or loss on the exchange and the amount of such gain or loss is generally determined in the same manner as set forth above in connection with U.S. Holders.

(b) Gain Recognition

Subject to the FIRPTA rules discussed below, any gain realized by a non-U.S. Holder on the exchange of its Claim 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 above applies, to the extent that any gain is taxable and does not qualify for deferral, 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 above 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 if such gain is effectively connected with the non-U.S. Holder's conduct of a trade or business in the United States in the same manner as a U.S. Holder. In order to claim an exemption from withholding tax, such non-U.S. Holder will be required to provide a properly executed IRS Form W-8ECI (or such successor form as the IRS designates). 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.

(c) Accrued Interest and Interest Payable on the loans under the Exit Credit Agreement

Interest payments to (or OID accruals with respect to) a non-U.S. Holder on debt instruments received pursuant to the Plan, and any other payments to a non-U.S. Holder that are attributable to accrued but untaxed 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-8BENE) establishing that the non-U.S. Holder is not a U.S. person, unless:

(i) the non-U.S. Holder actually or constructively owns 10 percent or more of the total combined voting power of all classes of CEH LP's Equity Interests (in the case of recoveries in respect of Claims against the Debtors) or New Equity Interests, as applicable (in the case of the new debt instruments issued pursuant to the Plan) entitled to vote (after application of certain attribution rules);

(ii) the non-U.S. Holder is a "controlled foreign corporation" that is a "related person" with respect to CEH LP (in the case of recoveries in respect of Claims against the Debtors) or Reorganized Castex Holdco, as applicable (in the case of the new debt instruments issued pursuant to the Plan) (each, within the meaning of the Tax Code);

(iii) the non-U.S. Holder is a bank receiving interest described in section 881(c)(3)(A) of the U.S. Tax Code; or

(iv) 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 loans under the Exit Credit Agreement 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.

(d) U.S. Federal Income Tax Consequences to Non-U.S. Holders of Owning and Disposing of New Equity Interests

Partnership

The U.S. federal income tax treatment of a non-U.S. Holder of New Equity Interests in Reorganized Castex Holdco (if Reorganized Castex Holdco is taxed as a partnership) is complex

and will vary depending on the circumstances and activities of each such non-U.S. Holder. Such non-U.S. Holders are urged to consult their own tax advisors. The following discussion assumes that non-U.S. Holder is not subject to U.S. federal income taxes as a result of its presence or activities in the United States (other than as a holder of New Equity Interests in Reorganized Castex Holdco).

A non-U.S. Holder generally will be subject to U.S. federal withholding taxes on its share of Reorganized Castex Holdco's income from dividends, interest (other than interest that constitutes portfolio interest within the meaning of the Tax Code), and certain other income. The activities of Reorganized Castex Holdco should be treated as a U.S. trade or business and, as a result, a non-U.S. Holder would be deemed to be engaging in that underlying U.S. trade or business. A non-U.S. Holder's share of Reorganized Castex Holdco's effectively connected income would be subject to tax at normal graduated U.S. federal income tax rates and, if the non-U.S. Holder is a corporation for U.S. federal income tax purposes, may also be subject to U.S. branch profits tax. A non-U.S. Holder generally will be required to file a U.S. federal income tax return if Reorganized Castex Holdco is, as expected, deemed to be engaging in a U.S. trade or business (even if no income allocated to the non-U.S. Holder is effectively connected income). Reorganized Castex Holdco would be required to withhold U.S. federal income tax with respect to the non-U.S. Holder's share of income that is effectively connected income.

Corporation

Any distributions made with respect to New Equity Interests will constitute dividends for U.S. federal income tax purposes to the extent of the Reorganized Castex Holdco's current or accumulated earnings and profits as determined under U.S. federal income tax principles. To the extent that a non-U.S. Holder receives distributions that would otherwise constitute dividends for U.S. federal income tax purposes but that exceed such current and accumulated earnings and profits, such distributions will be treated first as a non-taxable return of capital reducing the non-U.S. Holder's basis in its shares. Any such distributions in excess of a non-U.S. Holder's basis in its shares (determined on a share-by-share basis) generally will be treated as capital gain from a sale or exchange, and will be subject to the FIRPTA rules (as defined and discussed below). Except as described below, dividends paid with respect to stock held by a non-U.S. Holder that are not effectively connected with a non-U.S. Holder's conduct of a U.S. trade or business (or if an income tax treaty applies, are not attributable to a permanent establishment maintained by such non-U.S. Holder in the United States) will be subject to U.S. federal withholding tax at a rate of 30 percent (or lower treaty rate or exemption from tax, if applicable). A non-U.S. Holder generally will be required to satisfy certain IRS certification requirements in order to claim a reduction of or exemption from withholding under a tax treaty by filing IRS Form W-8BEN or W-BEN-E (or a successor form) upon which the non-U.S. Holder certifies, under penalties of perjury, its status as a non-U.S. person and its entitlement to the lower treaty rate or exemption from tax with respect to such payments. Dividends paid with respect to stock held by a non-U.S. Holder that are effectively connected with a non-U.S. Holder's conduct of a U.S. trade or business (and if an income tax treaty applies, are attributable to a permanent establishment maintained by such non-U.S. Holder in the United States) generally will be subject to U.S. federal income tax in the same manner as a U.S. Holder, 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 dividends at a rate of 30 percent (or at a reduced rate or exemption from tax under an applicable income tax treaty).

(e) Disposition of loans under the Exit Credit Agreement and the New Equity Interests

In general, and subject to the discussion immediately below regarding FIRPTA, a non-U.S. Holder of the New Equity Interests should not be subject to U.S. federal income tax or U.S. federal withholding tax with respect to the New Equity Interests 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 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% (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.

Notwithstanding the general rule stated above, the Debtors expect that New Equity Interests will represent an interest in a U.S. real property holding company (a "USRPHC"), all under the Foreign Investment in Real Property Tax Act ("FIRPTA").

The application of the FIRPTA rules to the New Equity Interests will depend on whether (a) such equity is regularly traded on an established securities market and (b) whether an individual non-U.S. Holder has directly or indirectly owned more than 5% of the value of such equity during a specified testing period.

It is not expected that the New Equity Interests will be regularly traded on an established securities market. Therefore, any gain on the sale of New Equity Interests recognized by a non-U.S. Holder will be subject to U.S. federal income tax as if the gain were effectively connected with the conduct of the non-U.S. Holder's trade or business in the United States. In this case, a transferee of the New Equity Interests generally will be required to withhold tax, under U.S. federal income tax laws, in an amount equal to 15% of the amount realized by a non-U.S. Holder on the sale or other taxable disposition of the New Equity Interests (subject to certain exceptions).

The loans under the Exit Credit Agreement should be considered an interest that is solely the interest of a creditor and therefore be exempt from the FIRPTA provisions. The Holder will not be subject to U.S. federal income tax with respect to the disposition of the loans under the Exit Credit Agreement unless the loans under the Exit Credit Agreement are effectively connected with the conduct of such non-U.S. holder's trade or business in the United States.

The rules regarding United States real property interests are complex, and non-U.S. Holders are urged to consult with their own tax advisors on the application of these rules based on their particular circumstances.

(f) 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 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, and also include gross proceeds from the sale of any property of a type which can produce U.S. source interest or dividends. FATCA withholding will apply even if the applicable payment would not otherwise be subject to U.S. federal nonresident withholding tax.

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 occurs after December 31, 2018.

Each non-U.S. Holder should consult its own tax advisor regarding the possible impact of these rules on such non-U.S. Holder's ownership of the consideration being received under the Plan.

7.5 *Information Reporting and Back-Up Withholding*

The Debtors and the Reorganized Debtors, as applicable, 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 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 FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS OR INTERESTS SHOULD CONSULT WITH 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.

7.6 *No Legal or Tax Advice Is Provided to You by this Disclosure Statement*

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each Holder of a Claim or an Equity Interest should consult his or her own legal counsel and accountant with regard to any legal, tax, and other matters concerning his or her Claim or Equity Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to Confirmation of the Plan.

ARTICLE VIII
CERTAIN SECURITIES LAW MATTERS

The Debtors believe that the New Equity Interests, including the New Equity Interests to be issued pursuant to the Management Incentive Plan, 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 Equity Interests pursuant to the Plan is, and subsequent transfers by the holders thereof that are not "underwriters" (as defined in section 2(a)(11) of the Securities Act and section 1145(b)(1) of 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. The New Equity Interests underlying the Management Incentive Plan will be issued pursuant to available exemptions from registration under the Securities Act and other applicable law.

8.1 *New Equity Interests*

(a) <u>Issuance</u>

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a plan of reorganization from registration under section 5 of the Securities Act and state securities laws if three principal requirements are satisfied: (a) the securities must be offered and sold under a plan of reorganization and must be securities of the debtor, of an affiliate participating in a joint plan with the debtor, or of a successor to the debtor under the plan; (b) the recipients of the securities must hold prepetition or administrative expense claims against the debtor or interests in the debtor; and (c) the securities must be issued entirely in exchange for the

recipient's claim against or interest in the debtor, or principally in exchange for such claim or interest and partly for cash or property.

All New Equity Interests, except those issued under the Management Incentive Plan, will be issued in reliance upon section 1145 of the Bankruptcy Code. All New Equity Interests to be issued pursuant to the Management Incentive Plan (as further discussed below) will be issued in reliance upon either section (4)(a)(2) of the Securities Act or Regulation D promulgated thereunder. All New Equity Interests issued pursuant to 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.

RECIPIENTS OF NEW EQUITY INTERESTS ARE ADVISED 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) Subsequent Transfers

Securities issued in reliance on section 1145 of the Bankruptcy Code ("1145 Securities") may be freely transferred following the initial issuance under the Plan without registration under the Securities Act unless the holder is an "underwriter," as defined in section 1145(b) of the Bankruptcy Code with respect to such securities; provided, however, such securities will not be freely tradable if, at the time of transfer, the holder thereof is an "affiliate," as defined in Rule 144(a)(1) under the Securities Act, of Reorganized Castex 2005 or Reorganized Castex Holdco, as the case may be, or had been such an "affiliate" within 90 days of such transfer. 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. While there is no precise definition of a "controlling" stockholder, 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 1145 Securities 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 Equity Interests who are deemed to be "underwriters" may be entitled to resell their New Equity Interests pursuant to the limited safe harbor resale provisions of Rule 144 of the Securities Act. Generally, Rule 144 of 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 Equity Interests would depend upon various facts and circumstances applicable to that Person. Given the complex nature of the question of whether a particular person may be an underwriter and other issues arising under applicable securities laws, the Debtors express no view as to whether any Person would be deemed an "underwriter" with respect to the New Equity Interests.

THE DEBTORS RECOMMEND THAT POTENTIAL RECIPIENTS OF NEW EQUITY INTERESTS CONSULT THEIR OWN COUNSEL CONCERNING THEIR ABILITY TO FREELY TRADE SUCH SECURITIES IN COMPLIANCE WITH APPLICABLE FEDERAL SECURITIES LAW AND ANY APPLICABLE STATE BLUE SKY LAW.

8.2 *Management Incentive Plan Securities*

Twelve percent of the New Equity Interests will be reserved exclusively for issuance under the Management Incentive Plan to management employees of Reorganized Castex 2005 or Reorganized Castex Holdco, as the case may be.

The Confirmation Order will authorize the New Board to adopt and enter into the Management Incentive Plan, consistent with the terms set forth in the Plan. However, the Debtors do not seek Court approval of the Management Incentive Plan itself, only the maximum percentage of the New Equity Interests to be set aside in connection therewith. The Management Incentive Plan will dilute all of the equity of Reorganized Castex 2005 or Reorganized Castex Holdco, as the case may be.

ARTICLE IX
VOTING PROCEDURES AND REQUIREMENTS

9.1 *Introduction*

Detailed instructions for voting on the Plan are provided with the Ballots accompanying this Disclosure Statement. For purposes of the Plan, only holders of record of Claims in the following Classes, as of the Voting Record Date, are entitled to vote: Classes 3 and 4.

If your Claim is **not** in Classes 3 and 4, you are not entitled to vote on the Plan. All Equity Interests are not entitled to vote.

If your Claim is in Class 3 or 4, you should read your ballot and follow the listed instructions carefully. Please use only the ballot that accompanies this Disclosure Statement. 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 I**.

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.

9.2 *Voting*

In order for your vote to be counted, your signed ballot must be actually received at the following address before the Voting Deadline of February 6, 2018, at 4:00 p.m. (prevailing Central time):

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

CASTEX ENERGY PARTNERS, L.P. BALLOT PROCESSING
C/O PRIME CLERK LLC
830 3RD AVENUE, 3RD FLOOR
NEW YORK, NY 10022

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

9.3 *Reservation of Rights*

THE DEBTORS RESERVE THE RIGHT, WITH THE APPROVAL OF THE OTHER PLAN PROPONENTS, AND WITHOUT NOTICE EXCEPT AS MAY BE REQUIRED UNDER APPLICABLE LAW, TO EXTEND THE SOLICITATION PERIOD OR TERMINATE THE SOLICITATION OF VOTES ON THE PLAN.

9.4 *Waivers of Defects, Irregularities, etc.*

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

No Ballot will be counted toward Confirmation if, among other things: (a) it is illegible or contains insufficient information to permit the identification of the Holder of the Claim; (b) it was transmitted by facsimile, email, or other electronic means other than as specifically set forth in the Ballots; (c) it was cast by an Entity that is not entitled to vote on the Plan; (d) it was cast for a Claim listed in the Debtors' Schedules as contingent, unliquidated, or disputed for which the applicable Claims Bar Date has passed and no Proof of Claim was timely Filed; (e) 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); (f) it was sent to the Debtors, the Debtors' agents/representatives (other than the Solicitation Agent), the Administrative Agent, or the Debtors' financial or legal advisors instead of the Solicitation Agent; (g) it is unsigned; or (h) 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 SOLICITATION AGENT AT:

323-406-6369 (OR OUTSIDE OF THE U.S. AT 866-384-2286) OR VIA EMAIL AT CASTEXBALLOTS@PRIMECLERK.COM
ANY BALLOT RECEIVED AFTER THE VOTING DEADLINE OR OTHERWISE NOT IN COMPLIANCE WITH THE DISCLOSURE STATEMENT ORDER WILL NOT BE COUNTED.

ARTICLE X
CONCLUSION AND RECOMMENDATION

The Debtor recommends that holders of Claims in Classes 3 and 4 vote to accept the Plan and to evidence such acceptance by returning their signed ballots so that they will be received before the Voting Deadline of February 6, 2018, at 4:00 p.m. (prevailing Central time).

Dated: November 29, 2017

Respectfully submitted, as of the date first set forth above,

CASTEX ENERGY PARTNERS, L.P.
On behalf of itself and all other Debtors

By: *_/s/ Aaron Killian_*
Name: Aaron Killian
Title: Vice President and Chief Financial Officer