

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION**

IN RE:	§	
	§	
RICOCHET ENERGY, INC.,	§	LEAD CASE No. 16-51148-RBK
	§	
RICOCHET INTERESTS, LTD.,	§	SECOND CASE No. 16-51149-RBK
	§	
Jointly Administered Debtors.	§	CHAPTER 11
	§	(Jointly Administered Under
	§	Case No. 16-51148-RBK)

**DISCLOSURE STATEMENT REGARDING CHAPTER 11 PLAN OF
REORGANIZATION FOR RICOCHET ENERGY, INC., RICOCHET INTERESTS,
LTD. AND THE OFFICIAL UNSECURED CREDITORS COMMITTEE UNDER
CHAPTER 11 OF THE BANKRUPTCY CODE**

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DISCLAIMER: NEITHER THIS DISCLOSURE STATEMENT NOR THE SOLICITATION OF THE ACCOMPANYING PLAN HAS BEEN APPROVED BY THE BANKRUPTCY COURT.

AS OF THE FILING OF THIS DISCLOSURE STATEMENT, NO HEARING ON THE APPROVAL OF THE DISCLOSURE STATEMENT OR CONFIRMATION OF THE PLAN HAS BEEN SET. THE TRUSTEE WILL PROVIDE SEPARATE NOTICE, CONSISTENT WITH APPLICABLE BANKRUPTCY RULES, OF ANY SUCH HEARINGS AND OF THE DEADLINES FIXED BY THE COURT FOR OBJECTION TO THE PLAN OR THIS DISCLOSURE STATEMENT.

I. INTRODUCTION

Ricochet Energy, Inc. and Ricochet Interests, Ltd. (jointly “**Ricochet**” or “**Debtors**”),¹ Chapter 11 case is pending before the United States Bankruptcy Court for the Western District of Texas, San Antonio Division (the “**Bankruptcy Court**”), respectfully submits this *[Proposed] Joint Disclosure Statement Regarding the Chapter 11 Plan of Reorganization for Ricochet Energy, Inc., Ricochet Interests, Ltd. and the Official Unsecured Creditors Committee Under Chapter 11 of the Bankruptcy Code*, (as may be amended from time to time, the “**Disclosure Statement**”). This Disclosure Statement is to be used in connection with Ricochet’s and the Committee’s proposed *Joint Chapter 11 Plan of Reorganization for Ricochet Energy, Inc., Ricochet Interests, Ltd. and the Official Unsecured Creditors Committee Under Chapter 11 of the Bankruptcy Code* (as may be amended from time to time, the “**Plan**”). A copy of the Plan, which has been filed contemporaneously herewith, is attached hereto as **Exhibit “A.”** Unless otherwise defined herein, capitalized terms used herein have the meanings ascribed to them in the Plan, in accordance with Section 1.2 of the Plan.

II. PLAN OVERVIEW AND IMPORTANT NOTICE TO HOLDERS OF CLAIMS

The Plan contemplates the payment of allowed claims from proceeds generated through operations of oil and gas properties owned by Ricochet and assigned to a Creditor Trust where under Ricochet assigns 63% of revenue production plus income from certain ORRI and WI to the Creditor Trust to be used to pay allowed claims in Classes 4 and 5 (generally the M&M Lien Claims and Unsecured Creditors). Ricochet keeps all retained assets and continues operation as reorganized Debtors.

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR ON YOUR DECISION TO SUPPORT CONFIRMATION OF THE PLAN. PLEASE READ THIS DISCLOSURE STATEMENT AND THE PLAN CAREFULLY AND IN THEIR ENTIRETY.

This Disclosure Statement contains information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor, typical of the Holders of Claims against and Interests in the Debtors, to make an informed judgment with respect to the Plan.

Except for Ricochet and its professionals, no person has been authorized to use or promulgate any information concerning Ricochet or the Plan, other than the information contained in the Plan. No Holder of a Claim against or Interest in the Ricochet Estate should rely on any information relating to Ricochet or the Plan other than what is contained in the Disclosure Statement, the Exhibits hereto, the Plan, and the Exhibits thereto. Unless otherwise indicated, the sources of all information set forth in the Plan are Ricochet, and Ricochet’s professionals.

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: Ricochet Energy, Inc. (7065) and Ricochet Interests, Ltd. (0600). The address for each of the Debtors is 16111 Via Shavano, San Antonio, Texas 78249.

III. HEARINGS AND DEADLINES TO OBJECT

Ricochet and the Committee have requested hearings on the approval of the Disclosure Statement and Confirmation of the Plan. The Disclosure Statement hearing is tentatively scheduled for [], 2016 and the Confirmation Hearing is tentatively scheduled for [], 2016. As required under the applicable Bankruptcy Rules, Ricochet will provide all parties in interest at least twenty-eight (28) days' notice of the hearing to approve this Disclosure Statement, or obtain an order allowing a shortened notice period, and will further provide separate notice of all relevant deadlines fixed by the Bankruptcy Court regarding objections and voting.

IV. INFORMATION CONCERNING THE DEBTORS

A. History of the Debtors

The Debtors are independent oil and gas companies operating oil and gas exploration and production businesses in South Texas. Ricochet Energy, Inc. ("**Energy**") has been in continuous business since 1996, acquiring, developing and operating oil and gas properties. Ricochet Interests, Ltd. ("**RI Ltd.**") has been in continuous business since 2000, acquiring and investing in oil and gas assets and properties. Debtors' activities involve acquisition, investments, operation and disposition of various oil and gas assets and include interests currently involving approximately 30 oil and gas wells, along with numerous oil and gas leases and prospects.

Energy, a Texas corporation, chartered on April 15, 1996. Jerry L. Hamblin and Thomas A. Lamont ("**Lamont**") were the initial stockholders. Effective December 31, 2006, as referenced within that Master Agreement to Sell, Transfer and Assign and/or Dissolve Certain Business Interests, Lamont conveyed all of his shares of stock to Hamblin, making Hamblin the sole stockholder.

RI Ltd., is a Texas Limited Partnership, owned 99% by Hamblin (Limited Partner) and 1% by Ricochet Management, LLC (General Partner) – established in 2000 to invest in working interest in oil and gas exploration and development through Energy, as Operator. RI, Ltd. owns various working interests in oil and gas wells and properties. The J.O. Walker, Jr. Family Limited Partnership is a secured creditor of RI, Ltd..

Ricochet Management, LLC ("**Management**") – a non-debtor, is owned 100% by Hamblin, established in 2000 to serve as general partner to Interests, and other non-debtor entities. Management handles employees and employee benefits for Energy and RI, Ltd..

Due to a variety of external economic factors that adversely affected the companies' operating performance beginning in late 2014, Energy and RI, Ltd. elected to file for Chapter 11 relief.

The Debtors' employee operations are, and have been, managed by Management pursuant to a Management Agreement dated January 1, 2015. Management provides operational oversight and all professional and administrative services for the Debtors. In return for the services provided, Management receives reimbursement of allocated costs and expenses and a

management fee. A separate entity, Management, provides employment and wage related services for the Debtors.

B. Factors Leading to Chapter 11 Filing

Events leading to the filing for relief are directly related to the decline of oil and gas prices occurring over the last 1-1/2 years. Gross income has dropped significantly due to declining oil and gas prices limiting net income, restricting the ability to satisfy current obligations. This decline in revenue caused by declining market prices has resulted in severe cash flow deficiencies.

As of the Petition Date, Energy operated approximately 30 wells and prospects in or around south Texas.

The Debtors have diligently evaluated, in consultation with their professionals, a number of options to address the Debtors' current financial issues. These efforts have included consideration of sale of some of Debtors' interest in oil and gas properties and attempts of capital restructure and refinance. Ultimately those efforts were unsuccessful requiring Debtors to seek relief under the Bankruptcy Code.

The Debtors have commenced these cases in order to fully implement their restructuring efforts and to deal with current operating liabilities. The Debtors believe that a combination of continued operations efforts combined with an increase in oil and gas prices will provide sufficient cash to repay allowed claims, to fund the Debtors' ordinary course expenses and enable the Debtors to maintain profitable operations.

C. Filing of the Bankruptcy Case

On May 18, 2016 (the "**Petition Date**") each of the Debtors filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code (the "**Chapter 11 Cases**").

The Debtors continue to operate their business and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in these cases.

On May 18, 2016, Ricochet commenced this chapter 11 case by filing joint voluntary chapter 11 petitions. Contemporaneously with the filing of its chapter 11 petition, Ricochet also filed certain "first day" motions, requesting emergency relief from the Bankruptcy Court, including requests to (i) use cash collateral (the "**DIP Agreement**"), (ii) to pay royalty and working interest owners; and (iii) retain and employ bankruptcy counsel. The Bankruptcy Court authorized Ricochet to use cash collateral and granted relief requested within other first day motions.

D. Significant Events Occurring During the Chapter 11 Case

Below is a summary of significant events that have occurred during the course of this Chapter 11 Case.

On June 1, 2016, the Bankruptcy Court entered interim orders authorizing use of cash collateral. The Interim Cash Collateral Order allowed Ricochet to use cash collateral to continue operations which was necessary to avoid immediate and irreparable harm to the estate.

In addition to Ricochet's motion seeking permission to use cash collateral, Ricochet filed:

- Debtors' Emergency Motion for Order Authorizing Joint Administration Pursuant to Bankruptcy Rule 1015 and Local Rule 1015 (Dkt. No. 2).
- Debtors' Emergency Motion for Entry of Order (I) Authorizing Debtors To (A) Pay Pre-Petition Wages and Other Compensation, and Employee Benefits, And (B) Continue Existing Employee Benefit Plans and Programs, (II) Authorizing Banks and Financial Institutions to Pay all Checks and Electronic Payment Requests, and (III) Granting Related Relief (Dkt. No. 5).
- Debtors' Emergency Motion for Entry of Order (I) Authorizing Debtors to, in the Ordinary Course, (A) Use Cash Management System, Bank Accounts, and Business Forms And (B) Perform Intercompany Transactions, (II) Authorizing Banks and Financial Institutions to Honor and Process All Related Check and Electronic Payment Requests, and (III) Granting Related Relief (Dkt. No. 6).
- Debtors' Emergency Motion Pursuant to 11 U.S.C. §§ 105(a) And 1107(a) to Authorize Payment Of Royalty And Working Interest Owners (Dkt. No. 8).

Upon notice and hearing the Bankruptcy Court provided interim relief on each of the emergency motions on June 1, 2016 providing for use of cash collateral, paying prepetition wages, authorizing bank accounts, authorizing inter-company transactions and allowing payment of working interest and royalty owners. Final orders authorizing use of cash collateral and providing adequate protection were entered on July 19, 2016 (Dkt. No. 130). The Official Committee of Unsecured Creditors (the "Committee") was formed on June 1, 2016 (Dkt. No. 58). The Court approved the firm of Snow, Spence, Green, LLP to serve as counsel for the Committee on July 8, 2016 (Dkt. No. 113).

On July 1, 2016, Ricochet filed its Motion to Incur Capital Expense and Utilize Cash Collateral to Satisfy Completion Costs of Lange-Clapp Unit #1 (Dkt. No. 95), wherein Ricochet sought court approval to utilize cash collateral to pay for certain completion costs on the Lange-Clapp No. 1 well. An order was entered on July 19, 2016 (Dkt. No. 134). Ricochet has successfully completed the Lange Clapp Unit No. 1 – which is currently producing oil and gas in paying quantities and generating production revenue to be used to pay creditors and maintain overhead.

1. Retention of the Debtor's Professionals

Ricochet engaged Martin & Drought, P.C. to assist in the reorganization process (Dkt. No. 63), which engagement was approved on June 14, 2016 (Dkt. No. 78).

2. Appointment of Committee & its Professionals

On June 1, 2016, the United States Trustee appointed an Official Committee of Unsecured Creditors. (Docket No. 58). On July 8, 2016, the Bankruptcy Court entered its Order approving the employment of Snow, Spence, Green LLP, as counsel to the Creditors Committee (Docket No. 113).

V. EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to chapter 11, the debtor-in-possession may attempt to reorganize its business for the benefit of the debtor, its creditors, and other parties-in-interest. However, chapter 11 may also be used as a means for liquidating the debtor's assets under a controlled process that maximizes the value of those assets in an attempt to recover the greatest possible value for the creditors and interest holders.

The commencement of a chapter 11 case creates an estate comprised of all the legal and equitable interests of the debtor in property as of the date the petition was filed. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession" unless the bankruptcy court orders the appointment of a trustee. In this case, Ricochet continues to operate as a debtor in possession.

The principal purpose of a chapter 11 case is to formulate a plan of reorganization (which could include liquidation). The plan of reorganization establishes the means for satisfying claims against and interests in the debtor.

B. Plan of Reorganization

Although referred to as a plan of reorganization, a plan may provide for a restructuring of the debtor's business and obligations or the liquidation of the debtor's assets. In this case, Ricochet is [1] continuing in business, [2] generating income to be paid to a Creditor Trust, and [3] proving for payment of all allowed claims.

Ricochet will pay all allowed secured, administrative and priority claims in full. Ricochet will execute a Production Payment Assignment, in a form acceptable to the Committee and to the Creditor Trust on the Effective Date transferring 63% of production revenue to a Creditor Trust, to be administered by a Creditor Trustee on behalf of Class 4 and 5 claim holders. The Production Payment Assignment which will remain in effect until Class 4 and 5 creditors are paid in full or until a sale is approved by the Creditor Trust. Ricochet will assign 9% of production revenue to the J.O. Walker Jr. Family Limited Partnership, as a secured party, to pay the allowed claim on behalf of Class 3. Creditors in Class 6 will be paid from retained assets. In addition the Creditor Trust will receive assignment of WI and ORRI from certain Settling Parties, the proceeds of which are to be used by the Creditor Trust to compensate Class 4

and 5 claimants. Payment of Class 4 and 5 allowed claims are to come exclusively from Creditor Trust assets – and not from any retained assets.

In considering a plan, the bankruptcy court must independently determine that the requirements of section 1129 of the Bankruptcy Code have been met. Section 1129 requires, *inter alia*, that a plan meets the “best interest” and “feasibility” tests. The best interests test requires that the value of the consideration to be distributed to the holders of claims and equity interests under a plan may not be less than the value those parties would receive if the debtor were liquidated under chapter 7 of the Bankruptcy Code. For a plan to be deemed feasible, the bankruptcy court must find that there is a reasonable probability that the debtor will be able to meet its obligations under the plan and that the debtor will not require further financial reorganization.

Ricochet and the Committee believe that the Plan satisfies the applicable requirements of section 1129(a) of the Bankruptcy Code, including the best interests and feasibility tests. Ricochet reserves the right to modify or supplement the Plan substantially.

Classes of claims or equity interests that are not “impaired” under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or equity interests in an impaired class. A class is impaired if the legal, equitable or contractual rights attaching to the claims or equity interests of that class are modified under the plan.

VI. OVERVIEW OF THE PLAN

A. General

The Plan you are being asked to consider is attached hereto as Exhibit “A.” You should carefully review the Plan prior to the Confirmation Hearing.

Ricochet believes that the Plan provides fair treatment to and is in the best interest of all classes of Claims and Interests. Ricochet will continue to operate post-confirmation paying all priority and secured claims from retained assets and 28% of post-confirmation production revenue. Approximately 63% of Debtors' production revenue and certain WI and ORRI, together with assigned claims will be transferred on the Effective Date, relating back to August 1, 2016 production, to the Creditor Trust which will administer those proceeds and distribute funds payable to all Class 4 and 5 allowed claimants until all allowed claims are paid including interest at 4% per annum or until a sale of Creditor Trust assets. Similarly, 9% of Debtors' production revenue relating back to August 1, 2016 production will be paid to J.O. Walker Jr. Family Limited Partnership to satisfy its Class 3 allowed claim. Ricochet and the Creditor Trust will disburse the funds generated from production revenue and other assets to pay creditors in accordance with the provisions and priorities provided in the Bankruptcy Code, the Plan and further orders of the Bankruptcy Court.

In addition to production revenue assigned to the Creditor Trust, the Creditor Trust will receive proceeds from assignments of Working Interest and ORRI – from certain Settling Parties – and will collect revenue from Assigned Claims, which proceeds will be included within the

Creditor Trust funds payable to Allowed Class 4 and 5 Allowed Claims until their claims are paid in full with interest at 4% per annum.

Ricochet believes the Plan is feasible and meets the requirements of the Bankruptcy Code. The information contained herein was prepared from information delivered by Ricochet's professionals and has been approved by Ricochet's management.

This summary describes certain major elements of the Plan. The remaining sections of the Plan deal with each of these subjects in greater detail. The actual terms of the Plan are controlling, and this summary will not change and should not be used to construe terms of the Plan.

B. Classification and Treatment Summary

The following is a summary of the classification and treatment of Claims and Interests under the Plan. Reference should be made to the entire Disclosure Statement and to the Plan for a complete description of the classification and treatment of Claims and Interests.

THIS IS ONLY A SUMMARY OF CERTAIN KEY PROVISIONS OF THE PLAN. THE PLAN INCLUDES OTHER PROVISIONS THAT MAY AFFECT YOUR RIGHTS. YOU ARE URGED TO READ THE PLAN IN ITS ENTIRETY.

ARTICLE 2 TREATMENT OF UNCLASSIFIED CLAIMS

2.01 Administrative Expenses. Except to the extent that any Entity entitled to payment of any Allowed Administrative Expense Claim agrees to a less favorable treatment, each Holder of an Allowed Administrative Expense Claim shall receive Cash equal to the unpaid portion of its Allowed Administrative Expense Claim, on the latest of (a) the Distribution Date, (b) the date on which its Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or (c) the date on which its Administrative Expense Claim becomes payable under any agreement relating thereto, or as soon thereafter as is reasonably practicable. Notwithstanding the foregoing, (i) all fees of the office of the United States Trustee and (ii) any Allowed Administrative Expense Claim based on a liability incurred by the Debtors in the ordinary course of business during the Chapter 11 Cases shall be paid by the Debtors or the Reorganized Debtors as administrative expenses in the ordinary course of the Debtors' businesses, in accordance with the terms and conditions applied to the United States Trustee fees or of any agreement relating to such other administrative expenses or upon such other terms as may be agreed upon between the Holder of such Claim and the Debtors, without application by or on behalf of any such parties to the Bankruptcy Court, and without notice and a hearing.

Applications for payment of Administrative Expense Claims (including requests for compensation under section 503(b)(3) and (4) of the Bankruptcy Code) must be filed with the Bankruptcy Court and served on the Reorganized Debtors no later than the Administrative Expense Bar Date. Applications for payment of Administrative Expense Claims filed after this date shall be discharged, forever barred and shall receive no payment under this Plan. Notwithstanding the foregoing, Holders of Administrative Expense Claims of the type described

in clauses (i) and (ii) of the preceding paragraph shall not be required to file applications for payment.

2.02 U.S. Trustee Fees. All fees payable under section 1930 of title 28 of the United States Code shall be paid on or before the Effective Date. All such fees that arise after the Effective Date but before the closing of the Chapter 11 Cases shall be paid by the Reorganized Debtors.

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

2.04 Professional Fee Claims. Unless otherwise ordered by the Bankruptcy Court, the Holders of Professional Fee Claims shall file their respective final fee applications for the allowance of compensation for services rendered and reimbursement of expenses incurred through the Effective Date by no later than the date that is thirty (30) days after the Effective Date. If granted by the Bankruptcy Court, such Claim shall be paid in full in such amount as is Allowed by the Bankruptcy Court on the date such Professional Fee Claim becomes an Allowed Professional Fee Claim, or as soon as reasonably practicable thereafter. Reorganized Debtors shall be responsible for and timely pay one hundred percent (100%) of the Allowed Professional Fee Claims other than the Committee's Professional Fee Claims. Reorganized Debtors shall be responsible for and timely pay thirty-five percent (35%) of the Allowed Amount of the Committee's Professional Fee Claims. Allowed Committee Professional Fee Claims not paid by Reorganized Debtors shall be paid by the Creditor Trust.

ARTICLE 3

CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

3.01 Introduction. This Plan places all Claims and Equity Interests, except unclassified Claims provided for in Article 2, in the Classes listed below. Unless otherwise stated, a Claim or Equity Interest is placed in a particular Class only to the extent that it falls within the description of that Class, and is classified in any other Class to the extent that any portion thereof falls within the description of such other Class.

3.02 Summary of Classes

<u>CLASS</u>	<u>DESIGNATION</u>	<u>IMPAIRMENT</u>	<u>ENTITLED TO VOTE</u>
Class 1	Other Priority Claims	Unimpaired	No (deemed to accept)
Class 2	Allowed Other Secured Claims	Unimpaired	No (deemed to accept)
Class 3	J.O. Walker, Jr. Family Limited Partnership Allowed Secured Claim	Impaired	Yes
Class 4	Allowed Secured M&M Lien Claims	Impaired	Yes
Class 5	Allowed General Unsecured Claims	Impaired	Yes
Class 6	Thomas Lamont Allowed Claim (if any)	Impaired	Yes
Class 7	Intercompany Claims	Impaired	Yes
Class 8	Subordinated Claims	Impaired	Yes
Class 9	Equity Interests	Unimpaired	No (deemed to accept)

3.03 Treatment of Classified Claims and Equity Interests.

1. *Class 1 - Other Priority Claims*

i) Claims in Class: Class 1 consists of all Allowed Other Priority Claims.

ii) Treatment: Except to the extent that a Holder of an Allowed Other Priority Claim agrees to less favorable treatment, each Holder of an unpaid Allowed Other Priority Claim against the Debtors shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Other Priority Claim, Cash equal to the full amount of its Allowed Other Priority Claim by the Debtors or the Reorganized Debtors, as applicable in the ordinary course of business.

iii) Voting: Class 1 is Unimpaired by the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, each Holder of an Allowed Other Priority Claim in Class 1 is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

2. *Class 2 - Other Secured Claims*

i) Claims in Class: Class 2 consists of all Allowed Other Secured Claims.

ii) Treatment: Except to the extent a Holder of an Allowed Other Secured Claim agrees to less favorable treatment, on the latest of (x) the Effective Date, (y) the date on which an Other Secured Claim becomes an Allowed Other Secured Claim, and (z) such other date as may be ordered by the Bankruptcy Court, or, in each case, as soon as reasonably practicable thereafter, each Allowed Other Secured Claim shall be, at the election of the Debtors:

(i) Reinstated, (ii) paid in Cash, in full satisfaction, settlement, release and discharge of such Allowed Other Secured Claim, (iii) satisfied by the Debtors' surrender of the collateral securing such Allowed Other Secured Claim, or (iv) offset against, and to the extent of, the Debtors' claims against the Holder of such Allowed Other Secured Claim.

iii) Voting: Class 2 is Unimpaired by the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, each Holder of an Allowed Other Secured Claim in Class 2 is conclusively presumed to have accepted the Plan and is not entitled to vote to accept or reject the Plan.

3. *Class 3 - J.O. Walker, Jr. Family Limited Partnership Allowed Secured Claim*

i) Claims in Class: Class 3 consists of the Allowed JOWF Secured Claim. The JOWF Secured Claim is deemed an Allowed Secured Claim against both Debtors in the aggregate amount of \$_____ [To be provided by Debtors and the JOWF].

ii) Treatment: On the Effective Date, the Debtors shall execute and deliver to the JOWF the (i) JOWF Reorganization Note, (ii) the JOWF Reorganization Deed of Trust, and (iii) the JOWF Production Payment Assignment. All payments received by Reorganized Debtors pursuant to the JOB Reorganization Prospect Generation Agreement shall be promptly paid over to the JOWF and applied against the JOWF Reorganization Note. On the Effective Date, Reorganized Debtors shall deliver to JOWF the sum due under the JOWF Production Payment Assignment. The JOWF Pre-Petition Note will be deemed cancelled and replaced with the JOWF Reorganization Note. The original principal amount of the JOWF Reorganization Note shall be its Allowed Secured Claim amount net of the payment to be received on the Effective Date pursuant to the JOWF Production Payment Assignment.

iii) Voting: Class 3 is Impaired by the Plan. The Holder of the Allowed JOWF Secured Claim in Class 3 is entitled to vote to accept or reject the Plan.

4. *Class 4 – Allowed Secured M&M Lien Claims*

i) Claims in Class: Class 4 consists of Allowed Secured M&M Lien Claims.

ii) Treatment. Each Holder of an Allowed Secured M&M Lien Claim shall receive on account of such Claim a Pro Rata share of Distributions of the Class 4 Funds in accordance with this Section 3.3(d), Article 5 of the Plan and the Trust Agreement until such time as the amount of the Allowed Secured M&M Lien Claim, plus interest thereon at four percent (4%) per annum, is satisfied in full. The amount of each Allowed Secured M&M Lien Claim shall be determined in accordance with the M&M Lien Value Schedule. On the Effective Date, M&M Liens on the Oil and Gas Properties shall be deemed released solely as they relate to the interests of Reorganized Debtors, the Released Parties, the Creditor Trust and the interests pledged as collateral pursuant to the JOWF Reorganization Deed of Trust and the Trust Deed of Trust in exchange for a Pro Rata beneficial interest in (i) sixty percent (60%) of all Trust Assets, and (ii) the Class 4 Funds. Each M&M Lien Claim Holder voting to accept the Plan will be deemed to have assigned to the Creditor Trust its M&M Lien Claim against any interest owner

other than the Reorganized Debtors, the Released Parties and the Creditor Trust. To further evidence the release provided for herein, the Trustee shall execute an M&M Lien release (solely to the limited extent provided for in this section) on behalf of all M&M Lien Claim Holders that vote to accept the Plan.

iii) Voting. Class 4 is Impaired by the Plan. The Holders of Allowed Secured M&M Lien Claims in Class 4 are entitled to vote to accept or reject the Plan.

5. *Class 5 – Allowed General Unsecured Claims*

i) Claims in Class: Class 5 consists of all Allowed General Unsecured Claims against each Debtor.

ii) Treatment. Each Holder of an Allowed General Unsecured Claim shall receive its Pro Rata share of Trust Distributions of Class 5 Funds in accordance with Article 5 of the Plan and the Trust Agreement.

iii) Voting: Class 5 is Impaired by the Plan. Each Holder of an Allowed General Unsecured Claim in Class 5 is entitled to vote on the Plan.

6. *Class 6 – Allowed Thomas Lamont Claim*

i) Claims in Class: Class 6 consists of the Allowed Lamont Claim.

ii) Treatment. Reorganized Debtors shall make semi-annual Distributions to the Holder of the Allowed Lamont Claim commencing ten (10) days following establishment of the claim as an Allowed Unsecured Claim. The amount of each Distribution shall equal the percentage of General Unsecured Claims satisfied by Distributions by the Creditor Trust as of that date. By way of example, if actual Distributions by the Creditor Trust of Class 5 Funds to Holders of Allowed General Unsecured Claims as of a Class 6 Distribution Date equals ten percent (10%) of Class 5 Allowed Claims, then the payment to the Holder of the Allowed Lamont Claim when combined with prior payments must equal ten percent (10%) of the Allowed Lamont Claim amount.

iii) Voting. Class 6 is Impaired by the Plan. Each Holder of an Allowed Lamont Claim in Class 6 is entitled to vote on the Plan.

7. *Class 7 – Intercompany Claims*

i) Claims in Class: Class 7 consists of Intercompany Claims.

ii) Treatment. Payment of an Intercompany Claim shall be subordinated to the Reorganized Debtors' obligations to Classes 1 through 6. No payment or transfer shall be made for or on account of an Intercompany Claim until all obligations under the Plan to the Holders of Classes 1 through 6 Claims are satisfied in full. The Lien rights of Debtors under the Joint Operating Agreements (to the extent not released pursuant to the Plan) are assigned to the Creditor Trust.

iii) Voting. Class 7 is Impaired by the Plan. Each Holder of an Intercompany Claim in Class 7 is entitled to vote on the Plan.

8. *Class 8 - Subordinated Claims*

i) Claims in Class: Class 8 consists of Subordinated Claims.

ii) Treatment. The Allowed Amount of any Subordinated Claim, plus interest thereon at the rate of four percent (4%) per annum will be paid in four (4) equal annual payments of principal and interest. The first payment will be due twelve (12) months following payment in full of Classes 1 through 7 Claims. No payment or transfer shall be made for or on account of a Subordinated Claim until all obligations under the Plan to Holders of Classes 1 through 7 Claims are satisfied in full.

iii) Voting. Class 8 is Impaired by the Plan. Each Holder of a Subordinated Claim in Class 8 is entitled to vote on the Plan.

9. *Class 9 - Equity Interests*

i) Claims in Class: Class 9 consists of Equity Interests.

ii) Treatment. The Equity Interests will be Reinstated as of the Effective Date.

iii) Voting. The Holders of Equity Interests are considered presumed to have accepted the Plan pursuant to Section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Equity Interests will not be entitled to vote against or reject the Plan.

3.04 Allowed Claims. Notwithstanding any provision herein to the contrary, the Reorganized Debtors shall make all payment with respect to Classes 1, 2, 3, 6, and 7 Claims. The Creditor Trust shall only make Distributions on account of Classes 4 and 5 Claims.

3.05 Special Provision Governing Unimpaired Claims. Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtors' rights in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to or setoffs or recoupments against any such Unimpaired Claims.

3.06 Controversy Concerning Impairment. If a controversy arises as to whether any Claims, or any Class of Claims, are Impaired, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

ARTICLE 4
MEANS OF IMPLEMENTING THE PLAN

4.01 General Settlement of Claims and Interests. Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, Distributions, releases, and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and

Equity Interests and controversies resolved pursuant to the Plan. The conveyances by Reorganized Debtors to the Creditor Trust pursuant to the Plan shall constitute a sale free and clear of Liens, Claims and encumbrances pursuant to 11 U.S.C. § 363 with any affected Liens, Claims or encumbrances being treated in accordance with the terms of the Plan. It is the position of Debtors and the JOWF that (i) the JOWF Partial Lien Release and release of the JOWF adequate protection claims constitute a gift from the JOWF to affected M&M Lien Claim Holders, General Unsecured Creditors and Holders of Equity Interests, and (ii) separate classification of General Unsecured Claims as set forth in the Plan is justified to preserve business relationships with Holders of General Unsecured Claims thereby enhancing the viability of the Reorganized Debtors.

4.02 Reorganized Debtors. On the Effective Date, Reorganized Debtors shall be authorized to adopt any other agreements, documents, and instruments and to take any other actions contemplated under the Plan.

4.03 Sources of Cash Consideration for Plan Distributions. The Reorganized Debtors shall fund payments under the Plan with Cash on hand, including Cash from operations. Any Distributions made by the Trustee to beneficiaries of the Creditor Trust shall consist only of Trust Assets in accordance with the Trust Agreement.

4.04 Continued Corporate Existence. Except as otherwise provided in the Plan, the Reorganized Debtors shall continue to exist after the Effective Date as separate Entities in accordance with the applicable law in the applicable jurisdiction in which they were formed under their respective certificates of incorporation or formation, as applicable, and bylaws or similar organizational documents, as applicable, in effect before the Effective Date except as their certificates of incorporation or formation and bylaws or similar organizational documents may be amended pursuant to this Plan. On the Effective Date, without any further corporate or similar action, the certificate of incorporation and bylaws of Reorganized Debtors shall be amended as necessary to satisfy the provisions of this Plan and the Bankruptcy Code and shall include, pursuant to section 1123(a)(6) of the Bankruptcy Code, a provision prohibiting the issuance of non-voting equity securities. The certificate of incorporation and bylaws of Reorganized Debtors shall be substantially in the form filed with the Plan Implementation Documents. The certificate of incorporation or formation and bylaws or other organizational documents of Reorganized Debtors shall be the certificate of incorporation or formation and bylaws, respectively, of each Reorganized Debtor on the Effective Date without any modification or amendment thereto.

4.05 Settlement With JOB and the JOWF. The Debtors and the Committee have negotiated a settlement of claims by and against JOB and the JOWF which will be implemented by the Plan. Pursuant to the settlement, on the Effective Date:

- The Debtors' bankruptcy Estates' shall be deemed to have released all potential Claims against JOB and the JOWF, including Claims relating to potentially avoidable assignments of interests and security interests.
- As further described in Section 3.03(d), any M&M Lien purportedly encumbering any working interest of JOB and property pledged pursuant

to the JOWF Reorganization Deed of Trust shall be deemed released solely as to those interests.

- The JOB Prospect Generation Agreement shall be assumed and amended as provided in the JOB Reorganization Prospect Generation Agreement. The Cure costs associated with the assumption of the contract will be waived by JOB. Pursuant to the JOB Reorganization Prospect Generation Agreement, Reorganized Ricochet Energy, Inc. will be obligated to submit no less than three drilling projects within every six months, commencing on January 1, 2017. JOB will have the right to terminate the JOB Reorganization Prospect Generation Agreement if Reorganized Ricochet Energy, Inc. defaults thereunder by failing to submit the required number of prospects.
- The JOWF Partial Lien Release shall be executed by the JOWF and delivered to the Trustee.
- The Claims of the JOWF shall be satisfied in accordance with the treatment set forth in Section 3.03(c), and any Claims of JOB arising prior to the Effective Date or by virtue of this Plan (other than the JOWF Reorganization Note) shall be deemed released.

4.06 Settlement With Settling Other Transferees. The Debtors and the Committee have negotiated a settlement of claims by and against the Settling Other Transferees. On or before the Effective Date, each Settling Other Transferee shall execute the Settling Other Transferee Settlement Agreement. The Settling Other Transferee Settlement Agreement provides, among other things, that on the Effective Date:

- Each Settling Other Transferee is included as a Released Party and as provided in Section 3.03(d) any M&M Liens purportedly encumbering the interests of Settling Other Transferees shall be deemed released solely as to those interests.
- Each Settling Other Transferee shall execute and deliver to the Trustee a Settling Other Transferee ORRI Assignment.
- Each Settling Other Transferee other than Maier Energy Interests LP shall execute and deliver to Reorganized Ricochet Energy, Inc., a Settling Other Transferee Working Interest Assignment. The interest assigned pursuant to the Trust Production Payment Assignment will be adjusted to include seventy-two percent (72%) of the Net Revenue Interest attributable to the Settling Other Transferee Working Interest Assignments.
- At such time as the obligation under a Trust Production Payment Assignment are satisfied in full, the interest conveyed pursuant to the Settling Other Transferee Working Interest Assignments shall be

reassigned by Reorganized Debtors to the applicable Settling Other Transferee and the interests conveyed pursuant to the Settling Other Transferee ORRI Assignment shall be reassigned by the Trustee to the applicable Settling Other Transferees.

- Each Settling Other Transferee shall release all Claims against the Debtors, Reorganized Debtors and their respective bankruptcy Estates and all Holders of Claims that vote to accept the Plan.
- On the Plan Effective Date, claims held by the bankruptcy estates and creditors voting to accept the Plan against DCPMP Energy, Ltd., Stricker Energy, Ltd., Jerry Hamblin, Raymond Gallaway, Lisa Garcia, Chris Maier, and Ginger Taylor will be released and the claims of the Other Released Parties against the bankruptcy estates and creditors voting to accept the Plan would be released.

4.07 Settlement With QLH Group Members. The Debtors and the Committee are in negotiations with and have proposed settlement terms to the QLH Group. Pursuant to the proposed Settling QLH Group Member Settlement Agreement, on the Effective Date each Settling QLH Group Member would execute a Settling QLH Group Member Settlement Agreement. The Settling QLH Group Member Settlement Agreement would provide, among other things, that on the Effective Date:

- Each Settling QLH Group Member would be included as a Released Party and as provided in Section 3.03(d) any M&M Liens purportedly encumbering the interests of Settling QLH Group Members shall be deemed released solely as to those interests.
- Each Settling QLH Group Member would be required to execute and deliver to Reorganized Ricochet Energy, Inc., a Settling QLH Group Member Assignment. The interest assigned pursuant to the Trust Production Payment Assignment would be adjusted to include seventy-two percent (72%) of the Net Revenue Interest attributable to the Settling QLH Group Member Assignment.
- At such time as the obligation under a Trust Production Payment Assignment are satisfied in full, the interests conveyed pursuant to the Settling QLH Group Member Assignments shall be reassigned by Reorganized Debtors to the applicable Settling QLH Group Member.
- Each Settling QLH Group Member would release all claims against the Debtors, Reorganized Debtors and their respective bankruptcy Estates and all Holders of Claims that vote to accept the Plan.

4.08 Trust Production Payment Assignment.

a) *Interests.* The interests assigned pursuant to the Trust Production Payment Assignment will include (i) sixty-three percent (63%) of Debtors' Current Net Revenue Interests until such time as the JOWF Reorganization Note is paid in full, at which time the percentage will increase to seventy-two percent (72%) of the Net Revenue Interests attributable to Debtors' Current Net Revenue Interest, (ii) seventy-two percent (72%) of the Net Revenue Interest attributable to the working interests conveyed to Reorganized Debtors pursuant to the Settling Other Transferee Working Interest Assignments, and (iii) seventy-two percent (72%) of the Net Revenue Interests conveyed to Reorganized Debtors pursuant to the Settling QLH Group Member Settlement Agreement.

The terms outlined in the Plan Support Term Sheet with respect to adjustment of interests upon performance of recompletion operations, acquisition of acreage for drilling of a well within a ½ mile of the Reorganized Debtors oil and gas leasehold interests, assignment of acreage for drilling a well in excess of ½ a mile from Debtors oil and gas leasehold interests shall be incorporated into the Trust Production Payment Assignment.

b) *Dollar Amount of Trust Production Payment Assignment.* The principal amount of the Trust Production Payment Assignment is the sum of: (i) Allowed Professional Fee Claims of the Committee incurred prior to the Plan Effective Date (minus the amount paid by Reorganized Debtors pursuant to Section 2.04), (ii) the principal allowed amount of all Allowed Secured M&M Lien Claims, (iii) the principal amount of all Allowed General Unsecured Claims, and (iv) the interest on all of the above from the Plan Effective Date until paid in full at the rate of four percent (4%) per annum. The Trust Production Payment Assignment will terminate upon the Creditor Trust's receipt of the amount due under the Trust Production Payment Assignment (subject to the discount set forth in Section 4.14). The dollar amount of the Trust Production Payment Assignment obligation shall not be increased to include (i) 11 U.S.C § 502(d) claims resulting from a Creditor Trust Avoidance Action recovery, (ii) legal fees and expenses incurred by the Creditor Trust post-Plan Effective Date with respect to prosecution of Assigned Actions, or (iii) cost of Trust, employees and compensation of Trustee. The dollar amount of the Trust Production Payment Assignment will not be reduced by the dollar amount by which Claims are reduced or Disallowed in connection with or as a result of resolution of an Avoidance Action by Final Order or settlement. In other words, the amount of a Claim which would be Allowed but for the Holders receipt of a transfer that is avoidable shall be included in the computation of the amount due under the Trust Production Payment Assignment. The dollar amount of the Trust Production Payment Assignment obligation will be reduced by the actual dollar amount of Cash paid to the Creditor Trust in connection with the resolution of the Assigned Actions by Final Order or settlement, net of all Creditor Trust legal fees and expenses.

c) *Computation of Production Payment.* The effective date of the Trust Production Payment Assignment is August 1, 2016. Accordingly, the Trust Production Payment Assignment applies to all post-August 1, 2016 production. The amount of each payment due under the Trust Production Payment Assignment is the assigned percentage of the Reorganized

Debtors' Net Revenue Interests in the Oil and Gas Properties (adjusted as provided in Section 4.08) minus the applicable percentage of associated ad valorem taxes.

4.09 Trust Deed of Trust. The obligations of Reorganized Debtors to the Creditor Trust will be secured by the Trust Deed of Trust. The Trust Deed of Trust will grant the Creditor Trust a first priority Lien on the Trust First Lien Collateral and a Lien subordinate only to the JOWF Reorganization Deed of Trust as to the Trust Second Lien Collateral.

4.10 JOWF Production Payment Assignment.

a) *Interests.* The interests assigned pursuant to the JOWF Production Payment Assignment will include nine percent (9%) of Debtors' Current Net Revenue Interests until such time as the obligations under the Trust Production Payment Assignment are satisfied in full, at which time the percentage will increase to seventy-two percent (72%) of the Net Revenue Interests attributable to Debtors' Current Net Revenue Interest.

The terms outlined in the Plan Support Term Sheet with respect to adjustment of interests upon performance of recompletion operations, acquisition of acreage for drilling of a well within a ½ mile of the Reorganized Debtors' oil and gas leasehold interests, assignment of acreage for drilling a well in excess of ½ a mile from Debtors' oil and gas leasehold interests shall be incorporated into the JOWF Production Payment Assignment.

b) *Dollar Amount of JOWF Production Payment Assignment.* The principal amount of the JOWF Production Payment Assignment would be the principal amount of the JOWF Reorganization Note and shall accrue interest at the rate provided in the JOWF Reorganization Note.

c) *Computation of Production Payment.* The effective date of the JOWF Production Payment Assignment is August 1, 2016. Accordingly, the JOWF Production Payment Assignment applies to all post-August 1, 2016 production. The amount of each payment due under the JOWF Production Payment Assignment is the assigned percentage of the Reorganized Debtors' Net Revenue Interests in the Oil and Gas Properties minus the applicable percentage of associated ad valorem taxes.

d) *Note Payments.* Both the JOWF Production Payment Assignment and the JOWF Reorganization Note will be credited with any payment on the JOWF Reorganization Note.

4.11 JOWF Reorganization Deed of Trust. The obligations of Reorganized Debtor to the JOWF under the JOWF Reorganization Note and the JOWF Production Payment Assignment will be secured by the JOWF Reorganization Deed of Trust. The JOWF Reorganization Deed of Trust will grant JOWF a first priority Lien on all assets of Reorganized Debtors other than the Trust Assets.

4.12 Operation and Expense Payment Agreement. Pursuant to the Operation and Expense Payment Agreement, the Reorganized Debtor shall be obligated to (i) cause the Oil and Gas Properties to be operated in a reasonable prudent manner, and (ii) timely satisfy all

obligations incurred in connection with the interests assigned pursuant to the (a) Trust Production Payment Assignment, (b) JOWF Production Payment Assignment, (c) property pledged as collateral pursuant to the Trust Deed of Trust, and (d) property pledged as collateral pursuant to the JOWF Reorganization Deed of Trust.

4.13 Post Confirmation Operations. Existing Joint Operating Agreements with respect to the Oil and Gas Properties subject to the Trust Production Payment Assignment shall remain in force and effect subsequent to the Effective Date. Reorganized Ricochet Energy, Inc. will be the operator of said Oil and Gas Properties subject to and in accordance with the terms of the applicable Joint Operating Agreement. Any Lien granted pursuant to a Joint Operating Agreement to secure post-Effective Date obligations will remain in effect.

4.14 Post Effective Date Sale/Discount. In the event Reorganized Debtors successfully negotiate and close a sale of all or part of Reorganized Debtors' Retained Assets or the Creditor Trust Assets, the Creditor Trust shall agree to the following discounts of remaining balance of the production payment obligations in the following amounts:

i) If full payment – less discount, is made on all obligations under the Creditor Trust Production Payment Assignment within 1 year following the Effective Date – 20%.

ii) If full payment – less discount, is made on all obligations under the Creditor Trust Production Payment Assignment between 12 months and 18 months following the Effective Date – 15%.

iii) If full payment – less discount, is made on all obligations under the Creditor Trust Production Payment Assignment between 18 months and 36 months following the Effective Date – 10%.

iv) If full payment – is made after 36 months following the Effective Date – no discount.

The Creditor Trust is under no obligation to consent to the sale of the Trust Assets that does not result in payment in full of the obligations under the Creditor Trust Production Payment Assignment (at the discounted amount if a discount is applicable).

4.15 Transfer. The Creditor Trust shall not be restricted from the sale of any assets. Except in the event of a default by Reorganized Debtors under the Plan, the Trust Production Payment Assignment or the Trust Deed of Trust, the transferee under any sale by the Creditor Trust of Trust Assets shall be subject to the post-confirmation sale discount rights of Reorganized Debtors.

4.16 Consolidation for Voting and Distribution Purposes. Entry of the Confirmation Order shall constitute approval of a motion requesting the consolidation of the Debtors into a single entity for Distribution and voting purposes only.

4.17 Corporate Action. Upon the Effective Date, all actions contemplated under the Plan shall be deemed authorized and approved in all respects. All matters provided for in the Plan involving the corporate structure of the Debtors or the Reorganized Debtors, and any corporate action required by the Debtors, or the Reorganized Debtors in connection with the Plan, shall be deemed to have occurred and shall be in effect, without any requirement of further action by the directors or officers of the Debtors, or the Reorganized Debtors. The authorizations and approvals contemplated by this Article 4 shall be effective notwithstanding any requirements under non-bankruptcy law.

4.18 Reorganized Ricochet Energy, Inc. Directors and Officers. Upon the Effective Date, the following persons will continue as the Directors and Officers of Reorganized Ricochet Energy, Inc.:

Jerry L. Hamblin	Director (Chairman)	President and Chief Executive Officer
Mara Z. Hamblin	Director	
Chris Maier		Vice-President of Exploration
Raymond Gallaway, Jr.		Vice-President – Land & Legal
Lisa R. Garcia		Chief Financial Officer, Secretary & Treasurer

4.19 Reorganized Ricochet Interests, Ltd. Management. Upon the Effective Date, the following parties will continue as the owners and managers of Reorganized Ricochet Interests, Ltd.:

Ricochet Management, LLC	General Partner
Jerry L. Hamblin	Limited Partner

4.20 Revesting of Assets. The property of each Debtor's Estate shall revert in the applicable Reorganized Debtor on the Effective Date except with respect to the Trust Assets and the JOWF Production Payment Assignment. Thereafter, the Reorganized Debtors may, subject to the terms of this Plan and the Plan Implementation Documents, operate their businesses and may use, acquire, and dispose of property free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Court. As of the Effective Date, after giving effect to the transactions provided for under this Plan, all property of the Reorganized Debtors shall be free and clear of all Claims, encumbrances, charges and Liens except as provided in the Plan, the Plan Implementation Documents or in the Confirmation Order, or under applicable statute. Trust Assets and JOWF Assets and Other Assignee Assets are to be reconvened to the assigning parties upon full payment of the Production Payment amount. Trustee shall recover all remaining assigned assets.

4.21 Assigned Actions. On the Effective Date, the Assigned Actions shall be assigned to the Creditor Trust.

4.22 Preservation of Rights of Action; Settlement of Litigation Claims. Except as otherwise provided herein, or in relation to the Assigned Actions or in the Confirmation Order, or in any contract, instrument, release, indenture, or other agreement entered into in connection with this Plan, in accordance with section 1123(b) of the Bankruptcy Code, following the Confirmation Date, the

Reorganized Debtors shall retain and may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) all Causes of Action that any of the Debtors or their Estates may hold against any Entity without further approval of the Bankruptcy Court whether arising before or after the Petition Date, including any actions specifically enumerated in the Plan Implementation Documents, and the Reorganized Debtors' rights to commence, prosecute, or settle such Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue such Causes of Action, as appropriate, in accordance with the best interests of the Reorganized Debtors. Except for the Assigned Actions, the Reorganized Debtors shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Implementation Documents, or the Disclosure Statement to any Cause of Action against it as any indication that the Debtors or the Reorganized Debtors will not pursue any and all available Causes of Action against it. The Debtors or the Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Causes of Action against any Entity other than the Released Parties, except as otherwise expressly provided, except as to the Assigned Actions, in the Plan.** Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or a Bankruptcy Court order, the Reorganized Debtors expressly reserve all Causes of Action, 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 Causes of Action upon, after, or as a consequence of the Confirmation.

Each of the Debtors, the Reorganized Debtors and the Creditor Trust shall release and not file any Causes of Action against any Released Party.

4.23 Preservation of Rights of Action; Settlement of Litigation Claims – Creditor Trust. For the avoidance of doubt, and notwithstanding anything to the contrary herein, all Assigned Actions are preserved as they existed immediately before the Effective Date for the Trustee to prosecute on behalf of the Creditor Trust. The Creditor Trust shall be vested with and may enforce, sue on, settle, or compromise (or decline to do any of the foregoing) the Assigned Actions of the Debtors or their Estates against any Entity without further approval of the Bankruptcy Court whether arising before or after the Petition Date and the Creditor Trust's rights to commence, prosecute, or settle such Assigned Action shall be preserved notwithstanding the occurrence of the Effective Date. The Trustee shall have the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Assigned Action and to decline to do any of the foregoing without the consent or approval of any third party (other than the Trust Administration Committee to the extent provided in Section 4.26(b)) or further notice to or action, order, or approval of the Bankruptcy Court. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Implementation Documents, or the Disclosure Statement to any Cause of Action against it as any indication that the Debtors, the Reorganized Debtors, the Trustee or the Creditor Trust will not pursue any and all Assigned Action against it. The Trustee expressly reserves all rights to prosecute any and all Assigned Actions against any Entity.** The Creditor Trust and Trustee expressly reserves all Assigned 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 Assigned Action upon, after, or

as a consequence of Confirmation of the Plan. As to the Assigned Actions contributed to the Creditor Trust, the Trustee shall constitute the representative of the bankruptcy Estates for purposes of retaining, asserting and/or confirming claims or Assigned Actions under Section 1123(b)(3)(b) of the Bankruptcy Code.

4.24 Effectuating Documents; Further Transactions. On and after the Effective Date, the Reorganized Debtors, and the officers and members of the boards of directors and managers thereof, are authorized to and may issue, execute, deliver, file, or record such contracts, instruments, releases, and other agreements or documents, including the Plan Implementation Documents, and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan, without the need for any approvals, authorization, or consents except for those expressly required pursuant to the Plan.

4.25 The Creditor Trust.

a) *Establishment of the Creditor Trust.* On the Effective Date, the Creditor Trust shall be established for the benefit of the Holders of Allowed Secured M&M Lien Claims and Allowed General Unsecured Claims. This Section 4.25 sets forth certain of the rights, duties, and obligations of the Trustee. In the event of any conflict between the terms of this Section and the terms of the Trust Agreement, the terms of the Trust Agreement shall govern.

b) *Execution of Trust Agreement.* On the Effective Date, the Trust Agreement shall be executed, and all other necessary steps shall be taken to establish the Creditor Trust and the beneficial interests therein. The form of the Trust Agreement and related ancillary documents shall be acceptable to the Creditors' Committee in its sole discretion, subject only to Bankruptcy Court approval at the Confirmation Hearing.

c) *Purpose of the Creditor Trust.* The Creditor Trust shall be established for the sole purpose of liquidating and distributing the Trust Assets to the Holders of interests in the Creditor Trust, in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or to engage in the conduct of a trade or business. The Creditor Trust, through the Trustee, shall (i) collect and reduce the Trust Assets to Cash, (ii) prosecute, settle and otherwise administer the Assigned Actions, (iii) make Distributions to the beneficiaries of the Creditor Trust in accordance with the Plan and Trust Agreement and (iv) take all such actions as are reasonably necessary to accomplish the purpose hereof, as more fully provided in the Trust Agreement.

d) *Trust Assets.* The Creditor Trust shall consist of the Trust Assets. On the Effective Date, all Transfers to the Creditor Trust provided for under this Plan shall be made by the applicable party, including the following: (i) the Reorganized Debtors shall execute and deliver to the Creditor Trust the Trust Production Payment Assignment, including the interests provided for in Section 4.08(a), the Trust Deed of Trust and the Operation and Expense Payment Agreement, (ii) the Settling Other Transferees shall execute and deliver to the Trust the Settling Other Transferee Settlement Agreements and the Settling Other Transferee ORRI Assignments, (iii) the JOWF shall execute and deliver to the Creditor Trust the JOWF Partial Lien Release, (iv) the Settling QLH Group Members shall execute and deliver to the Creditor Trust the Settling QLH Group Members Settlement Agreements, and (v) the Holders of M&M Lien Claims voting

to accept the Plan shall be deemed to have assigned to the Trust their M&M Lien Claims to the extent provided in Section 3.03(d). In addition, on the Effective Date, Reorganized Debtors shall deliver to the Creditor Trust the sum then due under the Trust Production Payment Assignment. On the Effective Date, the Trust Assets, including the Assigned Actions, shall automatically vest in the Creditor Trust, free and clear of all Liens, Claims and encumbrances.

e) *Governance of the Creditor Trust.* The Creditor Trust shall be governed by the Trust Administration Committee in accordance with the Trust Agreement and consistent with the Plan. Any three members of the Trust Administration Committee shall constitute a quorum for voting and approval purposes. Whenever such quorum is present, the vote of a majority of such quorum shall be binding on the Trust Administration Committee and the Creditor Trust.

f) *The Trustee.* The Creditors' Committee shall select the Trustee, subject only to Court approval at the Confirmation Hearing. With respect to the Trust Assets, the Trustee shall be a representative of the Estates pursuant to section 1123(a)(5)(B) and 1123(b)(3)(B) of the Bankruptcy Code. The Trustee may prosecute, settle and otherwise administer the Assigned Actions on behalf of the Creditor Trust, without the need for Bankruptcy Court approval or any other notice or approval, except as set forth in the Trust Agreement, and shall also have standing and authority to object to any Claims filed against the Debtors' Estates or scheduled by the Debtors that purport to qualify as an Allowed Secured M&M Lien Claim or Allowed General Unsecured Claim under the terms of the Plan, including, without limitation, pursuant to section 502(d) of the Bankruptcy Code; provided however, that notwithstanding any section 502(d) objection, the Trustee shall not bring any Avoidance Action against any Released Party or to recover property held by any Released Party. The Trustee shall be exempt from giving any bond or other security in any jurisdiction.

g) *General Powers of Trustee.* The Trustee, on behalf of the Creditor Trust, shall have all of the rights, powers and privileges set forth in this Plan, the Confirmation Order, and the Trust Agreement. Subject to obtaining the approval of the Trust Administration Committee to the extent required by Section 4.26, the Trustee is authorized and shall have the obligation to take all such actions as in his/her judgment are necessary and appropriate to effectuate the purposes of the Plan, including but not limited to the following:

i) Perform the duties, exercise the powers, and assert the rights of a trustee under Sections 704 and 1106 of the Bankruptcy Code with respect to the Trust Assets or Creditor Trust, including, without limitation, commencing, prosecuting or settling Assigned Actions contributed to the Creditor Trust, enforcing contracts, and asserting claims, defenses, offsets and privileges;

ii) Hold legal title to any and all rights of the beneficiaries of the Creditor Trust in or arising from the Trust Assets, including, without limitation, collecting, receiving any and all money and other property belonging to the Creditor Trust and the right to vote any claim or interest in a case under the Bankruptcy Code and receive any Distribution therein;

iii) Make Distributions to the Holders of Allowed Secured M&M Lien Claims and Allowed General Unsecured Claims contemplated under the Plan and Trust Agreement;

iv) Supervise and administer the reconciliation, resolution and settlement of Allowed Secured M&M Lien Claims and Allowed General Unsecured Claims and the Distributions to the Holders of Allowed Secured M&M Lien Claims and Allowed General Unsecured Claims in accordance with the Plan;

v) Enter into any agreement on behalf of the Creditor Trust required by or consistent with the Plan and perform all of the obligations required of the Trustee under the Trust Agreement or the Plan;

vi) Abandon any of the assets of the Creditor Trust if the Trustee, after consultation with the Trust Administration Committee, concludes that such assets are of no net benefit to Allowed Secured M&M Lien Claims and Allowed General Unsecured Claim Holders;

vii) Participate in or initiate any proceeding with respect to the Trust Assets or the Creditor Trust before the Bankruptcy Court or any other court of appropriate jurisdiction and participate as a party or otherwise in any administrative, arbitral or other non-judicial proceeding and litigate claims on behalf of the Creditor Trust, including without limitation all state and federal Causes of Action or any other litigation, including Assigned Actions, which constitute an asset of the Creditor Trust;

viii) Participate as a party-in-interest in any proceeding with respect to the Trust Assets or the Creditor Trust before the United States Bankruptcy Court involving the Chapter 11 Cases;

ix) Act in the name of or in the place of the Creditor Trust in any action with respect to the Trust Assets or the Creditor Trust before the United States Bankruptcy Court or any other judicial or administrative body;

x) Protect and enforce the rights to the Trust Assets by any method deemed appropriate including, without limitation, by judicial proceedings or pursuant to any applicable bankruptcy, insolvency, moratorium or similar law and general principles of equity;

xi) Take actions and exercise remedies (including, but not limited to, those provided under the Plan Implementation Documents) against any Entity that owes an obligation to the Creditor Trust;

xii) Subject to the prior approval of the Trust Administration Committee, retain and pay such Creditor Trust Professionals as the Trustee may select to assist the Trustee in its duties, on such terms as the Trustee deems appropriate, without Bankruptcy Court approval;

xiii) Employ such employees as the Trustee, and as consistent with the purposes of the Creditor Trust, may deem necessary or appropriate to assist the Trustee in carrying out its powers and duties under this Trust Agreement. The Trustee may commit the

Creditor Trust to and shall pay all such employees reasonable salary in the amounts it shall determine to be appropriate and any employee benefits it may establish. If the Trustee employs employees, the Trustee shall establish payroll procedures and pay any and all federal, state or local tax withholding required under applicable law with respect to any such employees, and it will take all other actions it deems necessary;

xiv) Assert or waive any privilege or defense on behalf of the Creditor Trust or, with respect to the Trust Assets, as provided in the Trust Agreement or this Plan;

xv) Compromise, adjust, arbitrate, sue on or defend, pursue, prosecute abandon, exercise rights, powers, and privileges with respect to, or otherwise deal with and settle, in accordance with the terms set forth herein, all Causes of Action in favor of or against the Creditor Trust as the Trustee shall deem advisable;

xvi) Avoid and recover transfers of the Debtors' property solely with respect to the Assigned Actions as may be permitted by the Bankruptcy Code or applicable state law;

xvii) Execute offsets and assert counterclaims against any M&M Lien Claim or General Unsecured Claim as part of an objection to any M&M Lien Claim or General Unsecured Claim;

xviii) File, compromise, settle, litigate to judgment or otherwise resolve all objections of the Creditor Trust to any General Unsecured Claim and M&M Lien Claims;

xix) Invest any moneys held as part of the Creditor Trust in accordance with the terms of the Trust Agreement, limited, however, to such investments that are consistent with the Creditor Trust's status as a Creditor Trust within the meaning of Treasury Regulations Section 301.7701-4(d);

xx) Request any appropriate tax determination with respect to the Creditor Trust, including, without limitation, a determination pursuant to section 505 of the Bankruptcy Code;

xxi) Take or refrain from taking any and all actions the Trustee reasonably deems necessary or convenient for the continuation, protection and maximization of the Trust Assets or to carry out the purposes hereof;

xxii) Assume such other powers as may be vested in or assumed by the Creditor Trust pursuant to the Plan or Bankruptcy Court order, or as may be necessary and proper to carry out the provisions of the Plan or the Trust Agreement;

xxiii) Establish and maintain such bank accounts as may be necessary or appropriate, draw checks on such bank accounts and perform such other necessary and appropriate duties with respect to such accounts, or designate individuals as signatories therefore, as the Trustee may direct and authorize;

xxiv) Invest or reinvest Trust Assets and to cause such investments, or any part thereof, to be registered and held in its name, as Trustee, or in the name of nominees;

xxv) Hold any unclaimed Distribution or payment to the Holder of an Allowed General Unsecured Claim or Allowed Secured M&M Lien Claim in accordance with the Plan and the Trust Agreement;

xxvi) Propose (but not require) any amendment, modification or supplement to the Plan or the Trust Agreement with respect to Trust Assets or the Creditor Trust that is not inconsistent with the Plan;

xxvii) File dissolution/termination documents with the appropriate governmental agencies to dissolve the Creditor Trust;

xxviii) Receive, conserve and manage the Trust Assets, and sell, pursuant to 11 U.S.C. § 1123(a)(5) and the Plan, or otherwise dispose of such assets for a price and upon such terms and conditions as the Trustee deems most beneficial to the Holders of Allowed General Unsecured Claims and Allowed Secured M&M Lien Claims that are approved by the Trust Administration Committee and execute such instruments in connection therewith;

xxix) Open and maintain bank accounts on behalf of or in the name of the Creditor Trust;

xxx) Pay all taxes, if any, properly payable by the Creditor Trust, make all tax withholdings and file tax returns and tax information returns with respect to the Creditor Trust, and make tax elections by and on behalf of the Creditor Trust;

xxxi) Pay all lawful expenses, debts, charges and liabilities of the Creditor Trust or relating to the Trust Assets;

xxxii) Establish such reserves for taxes, assessments and other expenses of administration of the Creditor Trust as may be necessary and appropriate for the proper operation of matters incident to the affairs of the Creditor Trust; and

xxxiii) Exercise such other powers and duties as are necessary or appropriate in the Trustee's discretion to accomplish the purposes of the Plan.

ARTICLE 5 MISCELLANEOUS

5.01 Exemption from Certain Transfer Taxes:

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers from Ricochet or the Estate to the Creditor Trust or any other Person pursuant to the Plan in the United States, including any Liens granted by Ricochet or the Estate shall not be taxed under any law imposing a stamp tax, real estate transfer tax, sales or use tax, or other similar tax. Such exemption specifically applies, without limitation, to all documents necessary to evidence and implement distributions under the Plan

5.02 **Corporate Action:**

On the Effective Date, all actions contemplated by the Plan shall be authorized and approved in all respects pursuant to the Plan. All matters provided for herein involving the corporate structure of Debtors, and any corporate or company action required by Debtors in connection with the Plan, shall be deemed to have occurred and shall be in effect, without any requirement of further action by the stockholders or partners of Debtors.

5.03 **Services by and Fees for Professionals Post Confirmation**

Ricochet will be responsible for the payment of fees and expenses incurred by its Professionals, if any, following the Effective Date without the necessity of Bankruptcy Court approval. The Creditor Trust will be responsible for payment of its professionals, if any, retained by the Creditor Trust following the Effective Date – provided however that the amount of fees paid by the Creditors Trust and all costs of administering the Creditor Trust, including Trustee fees, costs, employee compensation shall not increase the dollar amount of the Total Production Payment obligations payable by Ricochet.

5.04 **Reserved Claims**

Except as otherwise provided in the Plan, the Confirmation Order, or the Plan Supplement, and in accordance with section 1123(b) of the Bankruptcy Code, on the Effective Date, Ricochet shall hold all rights in the Reserved Claims that Ricochet may hold against any Person, including the following:

- (a) Any and all Claims and causes of action that are listed within Ricochet's Schedules or Statement of Financial Affairs;
- (b) Any and all Claims and causes of action that are subject to pending litigation in the Bankruptcy Court or a non-bankruptcy forum;
- (c) Any and all Claims against a Person, to the extent such Person asserts a crossclaim, a counterclaim, and/or a Claim for setoff that seeks affirmative relief against Ricochet;
- (d) All Avoidance Actions as defined in the Plan unless settled and released under the terms of the Confirmed Plan or otherwise;
- (e) Any claims, counterclaims, obligations, suits, judgments, demands, debts, rights, causes of action or liabilities as may be asserted, or as have already been asserted, against an insurer, contractor, subcontractor, material supplier, laborer, supplier or any agent, employee or broker thereof, for any action, including any issue of liability, warranty, workmanship or otherwise;

- (f) Any claim of wrongful offset or recoupment against a party entitled to receive distributions under the Plan; and
- (g) The Lamont Claims – including any rights of Ricochet against Thomas A. Lamont and related parties including those claims set forth within Cause No. 2008-CVF-000665-D2, *Thomas A. Lamont, et al v. Jerry L. Hamblin, et al*, in the 49th Judicial District Court, Webb County, Texas.
- (h) The Litigation Rights as defined in the Plan.

Ricochet shall assign all such Reserved Claims other than those specified within subparagraph (g), and any claims to be released against the JOB Parties, the settling QLH Group Members, the Settling Other Transferees, the Other Released Parties and Joint Interest Billings – to the Creditors' Trust.

5.05 Office of the United States Trustee

Ricochet shall provide the United States Trustee with financial reports on a quarterly basis in the form of affidavits of disbursements and pay all required fees until such time as a final decree is entered in this Case.

5.06 Effective Date Conditions

The following conditions precedent must be satisfied or waived on or prior to the Effective Date in accordance with Section 8.3 of the Plan:

- (a) The Confirmation Order shall have been entered in form and substance reasonably satisfactory to Ricochet and the Committee and shall, among other things:
 - (i) provide that Ricochet and the Committee and the Creditor Trust is authorized and directed to take all actions necessary or appropriate to consummate the Plan, including without limitation, to enter into, implement, and perform under the contracts, instruments, and other agreements or documents created in connection with the Plan;
 - (ii) provide that, notwithstanding Rule 3020(e) of the Bankruptcy Rules, the Confirmation Order shall be immediately effective, subject to the terms and conditions of the Plan;
- (b) The Confirmation Order shall not then be stayed, vacated or reversed;

- (c) All material authorizations, consents, and regulatory approvals required, if any, in connection with consummation of the Plan shall have been obtained; and
- (d) All material actions, documents, and agreements necessary to implement the Plan shall have been effected or executed.

Upon the occurrence of the Effective Date, Ricochet shall file and serve a Notice of Effective Date and the Claims Bar Date in the Case.

ARTICLE 6 RETENTION OF JURISDICTION

Under sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding this Plan's Confirmation and the occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of or related to the Chapter 11 Cases and this Plan, to the fullest extent permitted by law, including jurisdiction to:

- (a) hear and determine any and all objections to the allowance of Claims or Equity Interests;
- (b) hear and determine any and all motions to estimate Claims at any time, regardless of whether the Claim to be estimated is the subject of a pending objection, a pending appeal, or otherwise;
- (c) hear and determine any and all motions to subordinate Claims at any time and on any basis permitted by applicable law;
- (d) hear and determine all Administrative Expenses and Professional Fee Claims;
- (e) hear and determine all matters with respect to the assumption or rejection of any executory contract or unexpired lease to which a Debtor is a party or with respect to which a Debtor may be liable, including, if necessary, the nature or amount of any Claim or required Cure or the liquidation of any Claims arising therefrom;
- (f) hear and determine any and all adversary proceedings, motions, applications, and contested or litigated matters arising out of, under, or related to, the Chapter 11 Cases;
- (g) enter such orders as may be necessary or appropriate in aid of the implementation hereof and to execute, implement, or consummate the provisions hereof and all contracts, instruments, releases, and other agreements or documents created in connection with this Plan, the Disclosure Statement or the Confirmation Order;
- (h) hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of this Plan and all contracts, instruments, and other agreements executed in connection with this Plan;

- (i) hear and determine any request to modify this Plan or to cure any defect or omission or reconcile any inconsistency herein or any order of the Bankruptcy Court;
- (j) issue and enforce injunctions or other orders, or take any other action that may be necessary or appropriate to restrain any interference with or compel action for the implementation, or enforcement hereof or the Confirmation Order;
- (k) enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason reversed, stayed, revoked, modified, or vacated;
- (l) hear and determine any matters arising in connection with or relating hereto, the Confirmation Order or any contract, instrument, release, or other agreement or document created in connection with this Plan, the Disclosure Statement or the Confirmation Order;
- (m) enforce all orders, judgments, injunctions, releases, exculpation, indemnification and rulings entered in connection with the Chapter 11 Cases;
- (n) recover all assets of the Debtors and property of the Debtors' Estates, wherever located;
- (o) hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;
- (p) hear and determine all disputes involving the existence, nature, or scope of the Debtors' discharge;
- (q) hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, provisions of the Bankruptcy Code; and

enter a final decree closing the Chapter 11 Cases.

ARTICLE 7 MODIFICATIONS AND AMENDMENTS; WITHDRAWAL

The Plan Proponents may amend or modify this Plan at any time prior to the Confirmation Date. The Plan Proponents reserve the right to include any amended exhibits in the Plan Implementation Documents, whereupon each such amended exhibit shall be deemed substituted for the original of such exhibit.

Entry of a Confirmation Order shall mean that all modifications or amendments to the Plan since the Solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or resolicitation under Bankruptcy Rule 3019.

VII. CONFIRMATION OF THE PLAN

A. Solicitation of Votes; Voting Procedures

As set forth in Article 2 of the Plan, the following classes will be entitled to vote on the Plan:

- i. Class 2 – Allowed Other Secured Claims
- ii. Class 3 – J.O. Walker Jr. Family Limited Partnership Allowed Secured Claim
- iii. Class 4 – Allowed M&M Lien Claims
- iv. Class 5 – Allowed Unsecured Claims
- v. Class 6 – Other Allowed Unsecured Claims
- vi. Class 7 – Intercompany Claims
- vii. Class 8 – Subordinated Claims

All other Classes are either unimpaired or deemed to reject the Plan and, in either case, are not entitled to vote.

ARTICLE 8 ACCEPTANCE OR REJECTION OF THIS PLAN

8.01 Classes Entitled to Vote. Each Holder of an Allowed Claim in Class 3, 4, 5, 6, 7 and 8 is entitled to vote to accept or reject this Plan. Holders of Claims or Equity Interests in Unimpaired Classes shall not be entitled to vote because they are conclusively deemed, by operation of section 1126(f) of the Bankruptcy Code, to have accepted this Plan.

8.02 Acceptance by Impaired Classes. An Impaired Class of Claims shall have accepted this Plan if the Holders of at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims in the Class actually voting have voted to accept this Plan, and an Impaired Class of Equity Interests shall have accepted this Plan if the Holders of at least two-thirds (2/3) in amount of the Allowed Equity Interests in the Class actually voting have voted to accept this Plan, in each case not counting the vote of any Holder designated under section 1126(e) of the Bankruptcy Code.

8.03 Elimination of Classes. Any Class that does not contain any Allowed Claims or Equity Interests or any Claims temporarily allowed for voting purposes under Bankruptcy Rule 3018, as of the date of the commencement of the Confirmation Hearing, shall be deemed not included in this Plan for purposes of (i) voting to accept or reject this Plan and (ii) determining whether such Class has accepted or rejected this Plan under section 1129(a)(8) of the Bankruptcy Code.

8.04 Nonconsensual Confirmation. The Bankruptcy Court may confirm this Plan over the dissent of or rejection by any Impaired Class other than Class 2 if all of the requirements for consensual confirmation under section 1129(a), other than section 1129(a)(8)(A), of the Bankruptcy Code and for nonconsensual confirmation under section 1129(b) of the Bankruptcy Code have been satisfied.

If a Class does not accept the Plan, the Plan Proponents shall request that the Bankruptcy Court confirm or “cram down” the Plan on a non-consensual basis with respect to each non-accepting Class pursuant to section 1129(b) of the Bankruptcy Code.

Ricochet will propose certain solicitation and voting procedures pursuant to a separate motion to be filed with the Court. Such motion and proposed procedures will provide (i) the notice of, among other things, the time for submitting ballots to accept or reject the Plan, the date, time, and place of the hearing to consider Confirmation of the Plan and related matters, and the time for filing objections to Confirmation of the Plan, and, as applicable, (ii) a ballot or ballots (and return envelope(s)) that may be used in voting to accept or to reject the Plan, or a notice of nonvoting status (the “**Solicitation Package**”). Only holders eligible to vote in favor of or against the Plan will receive ballots as part of their Solicitation Package.

VIII. RISK FACTORS

A. Confirmation Risks

Any objection to confirmation of the Plan filed by a party in interest might prevent confirmation of the Plan or delay confirmation for a significant period of time.

B. Conditions Precedent

The following are conditions precedent to the occurrence of the Confirmation Date, each of which must be satisfied or waived in accordance with Section 9.01 of the Plan:

- (a) an order finding that this Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code shall have been entered; and
- (b) the proposed Confirmation Order shall be in form and substance reasonably satisfactory to Ricochet and the Committee.

Each of the conditions set forth and within the Plan Sections 9.01 and 9.02, with the express exception of the conditions contained in Section 9.01(a) and Sections 9.02(a), may be waived in whole or in part by Ricochet without any notice to parties in interest or the Bankruptcy Court and without a hearing; *provided, however*, that such waiver will not be effective without the consent of the Committee, which consent shall not be unreasonably withheld or delayed.

C. Feasibility.

Ricochet believes the terms and conditions of the Plan are feasible and will offer a return to the creditors of all or substantially all of their allowed claims.

- i. In support of the Plan, Ricochet has proposed the pro-forma projections showing income and expenses of Ricochet for a post-confirmation period within which Ricochet believes creditors having allowed claims will be paid.
- ii. Feasibility is further assessed by assignments of production revenue and certain WI and ORRI assignments to the Creditor Trust where under 63% of

post-confirmation production revenue and other assigned income will be received by the Creditor Trust and utilized to pay all allowed claims within Class 4 and 5. The assignment will remain effective until all allowed claims within Class 4 and 5 are paid with interest to accrue therein at 4% per annum.

IX. OTHER PLAN PROVISIONS

A. Channeling Injunction

The Plan would provide that M&M Lien Claimants, the Creditors' Trust and any holder of an allowed claim not payable out of Creditor Trust assets are enjoined post-Plan Effective Date from the commencement, continuance, prosecution, maintenance, or participation in any lawsuit, claims, demand or proceeding in any jurisdiction, and any other attempts at collection, enforcement or any action of any kind against any interest (except in accordance with the Plan and Plan Documents) of Debtors, the JOB Parties, the settling QLH Group members, the Settling Other Transferees and the Other Released Parties in the properties subject to M&M Lien Claims.

B. Post Confirmation Operations

The existing JOA with respect to the properties subject to the Debtors Production Payment Assignment to the Creditors' Trust shall remain in force and effect post-Plan Effective Date. Ricochet Energy, Inc. will remain as operator of said properties subject to and in accordance with the terms of the applicable JOA. Any lien pursuant to a JOA would be subordinated to the Deed of Trust and security interests of the Creditors' Trust and the J.O. Walker, Jr. Family Limited Partnership.

C. Reassignment Following Payment

Following recovery by the Creditors' Trust of the full amount of the Production Payment obligations – the Creditors' Trust would assign all ORRI/interests to the J.O. Walker, Jr. Family Limited Partnership until such time as the JOB Post Confirmation Note is paid in full, after which said Production Payment interests shall be released and the ORRI/interests reassigned to the original assigning entity.

D. Transfer

The Creditors' Trust shall not be restricted from the sale of any assets. Except in the event of a default by Reorganized Debtors under the Plan of Reorganization, Trust Production Payment Assignment or Deed of Trust, the transferee under any sale by the Creditors' Trust of Trust assets shall be subject to the post-confirmation sale discount rights of Reorganized Debtors.

X. LIQUIDATION ALTERNATIVE TO CONFIRMATION AND CONSUMMATION OF THE PLAN

Ricochet analyzed whether a Chapter 7 liquidation of the Debtor's assets would be in the best interest of Holders of Claims and Interests. Prior to filing the Chapter 11 case, Ricochet met with various prospective purchasers to discuss prospects of purchasing oil and gas interests of

Ricochet including various parties who have acquired oil and gas interest from Ricochet in the past. Ricochet was not able to obtain an acceptable offer to purchase any of its properties prior to the petition date. While Ricochet has not obtained a recent appraisal of Ricochet's remaining assets, all indications of the value of Ricochet's assets reveal that the chance of a significantly greater return exists through continued operations than through liquidation. Ricochet believes that the prospects of a greater return exists because: (1) current oil and gas prices are significantly less than in past years causing depressed liquidation prices; (2) liquidation values in general are substantially lower than going concern values; (3) Ricochet's success on the Lange-Clapp well ensures a greater return to the estate; and (4) Post-confirmation operations may enhance the value of certain wells and properties. For this reason, Ricochet anticipates that a liquidation of its remaining assets through a Chapter 7 bankruptcy case would produce a substantially smaller return, for holders of General Unsecured Claims, Chapter 11 Administrative Claims and Interests. Thus, Ricochet believes that the consummation of the proposed Plan is in the best interests of the creditors, as it produces a better return for such creditors than a Chapter 7 liquidation.

XI. RECOMMENDATION AND CONCLUSION

Ricochet and the Committee urges all Holder of Claims and Interests to support approval of this Disclosure Statement and confirmation of the Plan.

[Signature page follows]

Dated this 6th day of October, 2016.

Respectfully submitted,

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**COUNSEL FOR DEBTORS,
RICOCHET ENERGY, INC. AND
RICOCHET INTERESTS, LTD.**

CERTIFICATE OF SERVICE

I hereby certify that the foregoing was forwarded via the Court's ECF System and via U.S. Mail, First Class, postage prepaid, to the parties listed on the attached service list on October 6, 2016.

/s/Michael G. Colvard
Michael G. Colvard