

**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)

**DEBTORS AMENDED DISCLOSURE STATEMENT REGARDING CHAPTER 11
AMENDED JOINT 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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ARTICLE 1 INTRODUCTION

A. Executive Summary

Ricochet Energy, Inc. and Ricochet Interests, Ltd. (jointly “**Ricochet**” or “**Debtors**”)¹ respectfully submit this [Proposed] Debtors Amended Disclosure Statement Regarding the Amended 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 “**Disclosure Statement**”). This Disclosure Statement is to be used in connection with Debtors’ and the Committee’s proposed Amended 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 1**. 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.

Debtors filed voluntary petitions for relief under chapter 11 of the United States Bankruptcy Code on May 19, 2016 in the United States Bankruptcy Court for the Western District of Texas, San Antonio Division (the “**Bankruptcy Court**”). Pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code, the Debtors have and will continue to operate their businesses and to manage their properties as debtors-in-possession during the pendency of the Chapter 11 Cases.

B. CONSIDERATIONS IN PREPARATION OF THE DISCLOSURE STATEMENT AND PLAN; DISCLAIMERS

BECAUSE ACCEPTANCE OF THE PLAN WILL CONSTITUTE ACCEPTANCE OF ALL THE PROVISIONS THEREOF, HOLDERS OF CLAIMS ARE URGED TO CONSIDER CAREFULLY THE INFORMATION REGARDING TREATMENT OF THEIR CLAIMS CONTAINED IN THIS DISCLOSURE STATEMENT.

WITH NO BETTER ALTERNATIVES CURRENTLY AVAILABLE, THE BOARDS OF DIRECTORS, MANAGERS AND MEMBERS (AS THE CASE MAY BE) OF EACH OF THE DEBTORS HAVE APPROVED THE PLAN AND RECOMMEND THAT THE HOLDERS OF CLAIMS VOTE TO ACCEPT THE PLAN IN ACCORDANCE WITH THE VOTING INSTRUCTIONS SET FORTH IN **ARTICLE 16** – “SOLICITATION AND VOTING PROCEDURES” AND IN THE BALLOT. TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED AND ACTUALLY RECEIVED BY THE VOTING DEADLINE. HOLDERS OF CLAIMS AND INTERESTS ARE ENCOURAGED TO READ AND CONSIDER CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN.

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.

THE J.O. WALKER FAMILY LIMITED PARTNERSHIP AND THE COMMITTEE SUPPORT THE PLAN. THE PLAN REPRESENTS THE NEGOTIATED GLOBAL RESOLUTION OF THESE CASES BY THE DEBTORS, THE J.O. WALKER FAMILY LIMITED PARTNERSHIP AND THE COMMITTEE AND THE COMMITTEE ENCOURAGES HOLDERS OF GENERAL UNSECURED CLAIMS TO VOTE FOR THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, ANTICIPATED EVENTS IN THE DEBTORS' CHAPTER 11 CASES AND FINANCIAL INFORMATION. ALTHOUGH THE DEBTORS BELIEVE THAT THE SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF THE PLAN OR CERTAIN DOCUMENTS (AND HOLDERS OF CLAIMS SHOULD REFER TO THE PLAN AND SPECIFIED DOCUMENTS IN THEIR ENTIRETY AS ATTACHED HERETO OR IN THE PLAN IMPLEMENTATION DOCUMENTS), STATUTORY PROVISIONS, EVENTS OR INFORMATION. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS,

IN DETERMINING WHETHER TO VOTE TO ACCEPT THE PLAN, HOLDERS OF CLAIMS (TO THE EXTENT SUCH CLAIMS ARE ENTITLED TO VOTE) MUST RELY UPON THEIR OWN EXAMINATION OF THE DEBTORS AND THE TERMS OF THE PLAN, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. EACH SUCH HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS WITH RESPECT TO ANY SUCH MATTERS CONCERNING THIS DISCLOSURE STATEMENT, THE SOLICITATION, THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY. SEE ARTICLE 15 - "CERTAIN RISK FACTORS TO CONSIDER" FOR A DISCUSSION OF VARIOUS FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH THE PLAN.

NO PERSON HAS BEEN AUTHORIZED BY THE DEBTORS TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED HERETO OR INCORPORATED BY REFERENCE OR REFERRED TO HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DEBTORS. THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THOSE TO WHICH IT RELATES, OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION IN WHICH, OR TO ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT, UNDER ANY CIRCUMSTANCE, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF. ANY ESTIMATES OF CLAIMS OR EQUITY INTERESTS SET FORTH IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE AMOUNTS OF CLAIMS AND EQUITY INTERESTS DETERMINED BY THE DEBTORS OR ULTIMATELY ALLOWED BY THE BANKRUPTCY COURT, AND AN ESTIMATE SHALL NOT BE CONSTRUED AS AN ADMISSION OF THE AMOUNT OF SUCH CLAIM.

C. GENERAL

This Disclosure Statement has been prepared to comply with Section 1125 of the Bankruptcy Code and is hereby transmitted by the Debtors to Holders of Claims and Equity Interests for use in the Solicitation of acceptances of the Plan, a copy of which is attached hereto as **Exhibit 1**. Unless otherwise defined in this Disclosure Statement, capitalized terms used herein have the meanings ascribed to them in the Plan.

For purposes of this Disclosure Statement, the following rules of interpretation shall apply: (i) whenever the words “include,” “includes” or “including” are used, they shall be deemed to be followed by the words “without limitation,” (ii) the words “hereof,” “herein,” “hereby” and “hereunder” and words of similar import shall refer to this Disclosure Statement as a whole and not to any particular provision, (iii) article, section and exhibit references are to this Disclosure Statement unless otherwise specified, and (iv) with respect to any Distribution under the Plan, “on” a date means on or as soon as reasonably practicable thereafter.

The purpose of this Disclosure Statement is to provide “adequate information” to Entities who hold Claims and Equity Interests and to enable them to make an informed decision before exercising their right to vote to accept or reject the Plan.

THE APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. THE MATERIAL CONTAINED HEREIN IS INTENDED SOLELY FOR THE USE OF HOLDERS OF CLAIMS AND EQUITY INTERESTS IN EVALUATING THE PLAN AND VOTING TO ACCEPT OR REJECT THE PLAN AND, ACCORDINGLY, MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF HOW TO VOTE ON THE PLAN. THE PLAN IS SUBJECT TO NUMEROUS CONDITIONS AND VARIABLES AND THERE CAN BE NO ABSOLUTE ASSURANCE THAT THE PLAN WILL BE EFFECTUATED.

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 Debtors and their professionals, no person has been authorized to use or promulgate any information concerning Debtors or the Plan, other than the information contained in the Plan. No Holder of a Claim against or Interest in the Estates should rely on any information relating to Debtors 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 Debtors, and Debtors' professionals.

ARTICLE 2 HEARINGS AND DEADLINES TO OBJECT

Debtors 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 November 9, 2016 and the Confirmation Hearing is tentatively scheduled for _____, 2016.

THE BANKRUPTCY COURT HAS FURTHER FIXED _____, 2016, AT [] P.M., PREVAILING CENTRAL TIME, AS THE DEADLINE (THE "OBJECTION DEADLINE") FOR FILING OBJECTIONS TO CONFIRMATION OF THE PLAN WITH THE BANKRUPTCY COURT. OBJECTIONS TO CONFIRMATION OF THE PLAN MUST BE SERVED SO AS TO BE RECEIVED BY THE FOLLOWING PARTIES ON OR BEFORE THE OBJECTION DEADLINE:

- Counsel for the Debtors, Martin & Drought, P.C., 300 Convent Street, Suite 2500, San Antonio, Texas 78205, Attn: Michael Colvard
- Assistant United States Trustee, San Antonio Office, United States Trustee - SA12, US Trustee's Office, 615 E Houston, Suite 533, PO Box 1539, San Antonio, TX 78295-1539, Attn: Jim Rose
- Counsel to the Creditors' Committee, Snow Spence Green, LLP, 2929 Allen Parkway, Suite 2800, Houston, TX 77019, Attn: Phil Snow
- Counsel to JOWF, Ray Battaglia, 66 Granburg Circle, San Antonio, TX 78218

ANY OBJECTION TO CONFIRMATION OF THE PLAN MUST BE IN WRITING AND (A) MUST STATE THE NAME AND ADDRESS OF THE OBJECTING PARTY AND THE AMOUNT OF ITS CLAIM OR THE NATURE OF ITS EQUITY INTEREST AND (B) MUST STATE WITH PARTICULARITY THE NATURE OF ITS OBJECTION. ANY CONFIRMATION OBJECTION NOT TIMELY FILED AND SERVED AS SET FORTH HEREIN SHALL BE DEEMED WAIVED AND SHALL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

ARTICLE 3

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, was 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.

B. Management

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

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

The Debtors current management consists of:

- Jerry Hamblin – Chief Executive Officer and Director
- Ray Gallaway – Vice President of Land and General Counsel
- Lisa Garcia – Chief Financial Officer
- Chris Maier – Vice President of Exploration
- Mara Hamblin – Director

C. Prospect Generation and Exploration Agreements

Throughout its history, Energy has entered into Prospect Generation and Exploration Agreements with numerous investors. By these agreements, the investor would pay annual, semi-annual, or quarterly fees to Energy to be used by Energy to explore and identify oil and gas prospects in Texas. In exchange for the fees, the investors were given a right of first refusal to participate as a working interest owner at a fixed percentage in Energy's oil and gas prospects. As of the Petition Date, Energy had Prospect Generation and Exploration Agreements with JOB Energy II, Ltd., Huisache Exploration, Ltd. and Quiros Energy Exploration III, Ltd.

D. Post-Bankruptcy Petition Operating Reports

Attached hereto as **Exhibit 2** is a copy of Debtors Monthly Operating Reports for the month of September 2016.

E. Oil and Gas Properties

As of the Petition Date, Energy operated approximately thirty (30) wells and prospects in or around south Texas. The Plan attaches the following exhibits related to Debtors' oil and gas interests.

- Plan Exhibit D – Debtors' Current Net Revenue Interest in Oil and Gas Properties;
- Plan Exhibit E – Joint Operating Agreement List;
- Plan Exhibit F – M&M Lien Value Schedule; and
- Plan Exhibit G – Property Valuation Schedule.

**ARTICLE 4
INFORMATION RELATED TO CERTAIN CLAIMS**

A. JOWF Loan

Pursuant to a Loan Agreement dated August 1, 2015, JOWF loaned RI Ltd. \$2,325,000.00. The loan is evidenced by a Promissory Note dated August 1, 2015, which was amended by an Amended Promissory Note dated February 5, 2016 (the "**JOWF Pre-Petition Note**"). The loan and promissory notes provide that RI Ltd. would make quarterly interest payments beginning in September 1, 2015 and quarterly principal payments beginning September 1, 2016 with a maturity date occurring on December 31, 2018. The balance owed on the JOWF Pre-Petition Note as of October 1, 2016 was approximately \$2,248,064. The Promissory Note is secured by a Deed of Trust, Assignment of Proceeds of Production, Security Agreement and Financing Statement from RI Ltd. to James J. Aycock, as Trustee for the benefit of JOWF dated August 1, 2015, which was recorded in the real property records of Wharton County, Texas on August 25, 2016. RI Ltd. executed a Supplemental Deed of Trust dated April 11, 2016 that was recorded in the Wharton County real property records on April 22, 2016.

B. M&M Liens

Numerous trade vendors of the Debtors have recorded lien affidavits in the Wharton and Zapata Counties real property records claiming M&M Liens under Chapter 56 of the Texas Property Code against one or both of the Debtors' interest in oil and gas properties. Attached as **Exhibit 3** is a list of M&M Lien Claims. The face amount of asserted M&M Lien Claims is approximately \$ _____. Based on the fair market value of the subject collateral and existence of a senior lien, the total Allowed Secured M&M Lien Claim amount is approximately \$1,703,000.

C. General Unsecured Claims

Based on the Debtors' Schedules and proofs of claim, General Unsecured Claims, including deficiency claims with respect to M&M Lien Claims, are projected to be approximately \$ _____. Said amount includes the projected M&M Lien Claims' undersecured amount.

D. Lamont Claim

On April 28, 2008, Lamont and certain other plaintiffs filed Case No. 2008-CVF-000665-D2; *Lamont v. Hamblin and Ricochet Energy, Inc.*; 49th Judicial District Court of Webb County, Texas. Lamont's causes of action arise out a Master Agreement to Sell, Transfer, Assign and/or Dissolve Certain Business Interests effective December 31, 2006 whereby Lamont sold his interest in Energy to Hamblin. Lamont asserts that Jerry Hamblin and Ray Galloway made misrepresentations concerning certain oil and gas assets in connection with his sale of his interest in Energy. Lamont's causes of actions include breach of contract, breach of fiduciary duties, negligent misrepresentations, statutory and common law fraud and for declaratory relief.

Energy denies the claims and has brought counter-claims for misappropriation of trade secrets, conversion, tortious interference with existing contracts, civil conspiracy and aiding and abetting.

Lamont moved to lift the automatic stay as to the Lamont Civil Action and on August 2, 2016, the Bankruptcy Court entered an order granting Lamont's motion to lift the stay and permitting all claims and causes of action in the Lamont Civil Action to proceed to judgment in the 49th Judicial District Court, Webb County, Texas.

**ARTICLE 5
COMMENCEMENT OF BANKRUPTCY CASES**

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

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 cause by declining market prices has resulted in severe cash flow deficiencies. In addition, in the 18 months prior to the Petition Date, certain parties have either terminated their Prospect and Generation Agreements with Energy or allowed their Prospect and Generation Agreements to lapse by their own terms without renewing or executing new Prospect Generation Agreements. This has resulted in a decline of revenue for the Debtors and an increase in costs and obligations due to the Debtors taking larger working interests in their oil and gas prospects. 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 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’ interests 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.

ARTICLE 6

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.

A. First Day Motions

On the Petition Date, the Debtors filed a number of motions (the “**First Day Motions**”) seeking entry of so-called “first day” orders (the “**First Day Orders**”) intended to facilitate a debtor’s transition into chapter 11 by approving certain regular business conduct for which approval of the Bankruptcy Court is required. These included:

- Debtors’ Emergency Motion for Order Authorizing Joint Administration Pursuant to Bankruptcy Rule 1015 and Local Rule 1015 (“**Joint Administration Motion**”).

- Debtors' Motion for Interim and Final Authority for the Debtors to Use Cash Collateral, and Determining Adequate Protection (the "**Cash Collateral Motion**").
- 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 (the "**Wages Motion**").
- 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 (the "**Cash Management Motion**").
- Debtors' Emergency Motion Pursuant to 11 U.S.C. §§ 105(a) And 1107(a) to Authorize Payment Of Royalty And Working Interest Owners (the "**Royalty and WI Motion**").

The initial hearings on the First Day Motions were held on May 26, 2016.

On June 1, 2016, the Bankruptcy Court entered the following orders:

- Interim Order Authorizing the Debtors to Use Cash Collateral and Determining Adequate Protection (the "**Interim Cash Collateral Order**"). The Interim Cash Collateral Order allowed Debtors to use cash collateral to continue operations which was necessary to avoid immediate and irreparable harm to the estate.
- Order Dismissing Debtors' Emergency Motion to Establish Critical Vendor Payment Procedures as Withdrawn. The Debtors withdrew their motion for order establishing critical vendor payment procedures.
- Order Authorizing Motion for Joint Administration (the "**Joint Administration Order**"). Pursuant to the Joint Administration Order, the Bankruptcy Court authorized the Debtors' cases to be jointly administered for procedural purposes only under the lead case number 16- 51148-RBK.
- Interim Order Granting Debtors' Authority to (A) Pay Prepetition 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 (the "**Interim Wages Order**").
- Order (I) Authorizing the Debtors to, in the Ordinary Course of Business, (A) Use its 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 (the “**Banking Order**”).

- Order (I) Determining that Utility Providers Have Been Provided With Adequate Assurance of payment, (II) Approving Proposed Adequate Assurance Procedures, (III) Prohibiting Utility Providers From Altering, Refusing, or Discontinuing Utility Services, (IV) Determining that Debtor is not Required to Provide any Additional Assurance, and (V) Granting Related Relief.
- Order Granting (I) Extension of Time to File Schedules and Statements and (II) Extending the Time to Schedule the Meeting of Creditors.
- Interim Order Granting Debtors’ Emergency Motion Pursuant to 11 U.S.C. §§ 105(a) and 1107(a) to Authorize Payment Royalty and Working Interest Payment.

Final orders authorizing use of cash collateral and providing adequate protection were entered on July 19, 2016. Likewise, on July 19, 2016, final orders were entered on the Wage Motion, the Cash Management Motion, and the Royalty and WI Motion.

B. Schedules and Statements of Financial Affairs

On June 15, 2016, each of the Debtors filed their Statement of Financial Affairs and Schedules of Assets and Liabilities, subject to permitted amendments from time to time. The Debtors have filed amendments to their schedules on July 1, 2016 and August 23, 2016. On June 20, 2016, the U.S. Trustee conducted a meeting of creditors pursuant to Section 341 of the Bankruptcy Code, as continued from time to time. Additionally, the Debtors have timely filed all monthly operating reports and timely paid all statutory quarterly fees as required by the Office of the U.S. Trustee. To the best of the Debtors’ knowledge, information and belief, the Debtors, except to the extent the Bankruptcy Court has permitted otherwise, have complied with all other applicable requirements of the Bankruptcy Code and Bankruptcy Rules, as well as local Bankruptcy Court rules and deadlines of the Office of the U.S. Trustee.

C. Capital Expense Motions

On July 1, 2016, Debtors filed their Motion to Incur Capital Expense and Utilize Cash Collateral to Satisfy Completion Costs of Lange-Clapp Unit #1, wherein Debtors sought Bankruptcy 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. Debtors have 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.

On October 5, 2016, Debtors filed their Motion to Incur Capital Expense and Utilize Cash Collateral for Work Over Operations on Betty Mae Unit #2 and Lange Clapp Unit #1 Wells, wherein Debtors’ sought Bankruptcy Court approval to utilize cash collateral to pay for certain work over operations on the Betty Mae Unit #2 and Lange Clapp Unit #1 wells. An order granting the motion was entered on October 17, 2016.

D. Lease Amendment Motion

On July 27, 2016, Debtors filed their Motion to Enter Second Amendment to Oil and Gas Lease – Diane Duson Buelte, Et Al., Lessor/Ricochet Energy, Inc., Lessee Extending Primary Term of Lease Regarding Lange-Clapp Unit #1, and Authorizing Term of Extension, wherein Debtors sought approval to enter into an amendment to a lease within the Lange-Clapp Unit to extend the primary term of such lease. An order was entered granting the motion on September 15, 2016.

E. Retention of the Debtor's Professionals

Debtors engaged Martin & Drought, P.C. to assist in the reorganization process, which engagement was approved on June 14, 2016.

Debtors engaged Castillo & Snyder, P.C. as special counsel to represent Energy in the Lamont Civil Action, which engagement was approved on August 8, 2016.

F. Appointment of Committee & its Professionals

The Official Committee of Unsecured Creditors (the “**Committee**”) was formed on June 1, 2016. The following parties form the Committee: (i) Edde Drilling Services, LLC; (ii) Newpark Drilling Fluids; (iii) Halliburton Energy Services, Inc.; (iv) NOVA Directional, Inc.; (v) Baker Hughes Oilfield Operations, Inc.; (vi) Schlumberger Technology Corporation; and (vii) Pyramid Tubular Products, L.P.

On June 1, 2016, the United States Trustee appointed an Official Committee of Unsecured Creditors. On July 8, 2016, the Bankruptcy Court entered its Order approving the employment of Snow, Spence, Green LLP, as counsel to the Creditors Committee.

On September 7, 2016, the Bankruptcy Court entered its Order approving the Committee's application to retain VSO Petroleum Consultants, Inc. as the Committee's petroleum consultants.

G. Plan Support Agreement

After arm's-length negotiations, Debtors, the Committee, the JOWF, JOB and the Settling Other Transferees entered into the Plan Support Term Sheet which is attached as Exhibit A to the Plan.

**ARTICLE 7
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. In

addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for creditors and similar situated equity interest holders, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate 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, Debtors continue to operate as debtors-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. A bankruptcy court’s confirmation of a plan binds the debtor, any person acquiring property under the plan, any creditor or equity interest holder of the debtor, and any other entity as may be ordered by the bankruptcy court.

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, Debtors are (i) continuing in business, (ii) generating income to be paid to a Creditor Trust, and (iii) providing for payment of all allowed claims.

Debtors will pay all allowed secured, administrative and priority claims in full. Debtors 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. Debtors will assign 9% of production revenue to the J.O. Walker Jr. Family Limited Partnership, as a secured party, to pay the JOWF Allowed Class 3 Claim. 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.

Debtors 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. The Plan Proponents reserve 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.

ARTICLE 8 OVERVIEW OF THE PLAN

A. General

The Plan you are being asked to consider is attached hereto as **Exhibit 1**. You should carefully review the Plan prior to the Confirmation Hearing.

As described below, the Plan provides for settlements with three separate groups. The first settlement involves the J.O. Walker, Jr. Family Limited Partnership (the “**JOWF**”) and JOB Energy Partners II, Ltd. (“**JOB**”). Pursuant to that settlement, the JOWF shall release liens upon the oil and gas production payment interests to be assigned to the Creditor Trust in exchange for a release by Debtors. The second settlement involves Maier Energy Interests, LP, G4S Energy, Ltd., CRG Energy, Ltd, MEM2 Energy, Ltd., JRODS Energy Investments, Ltd., Triple (H) Energy, Ltd. and Marvell Energy, Ltd. (“**Settling Other Transferees**”). Pursuant to that settlement, the Settling Other Transferees will assign (i) overriding royalty interests in certain oil and gas properties to the Creditor Trust, and (ii) working interests to Reorganized Ricochet Energy, Inc. which will in turn become subject to the production payment assignment to the Creditor Trust. In exchange Debtors will release claims against the Other Settling Transferees. A third settlement has been proposed to Quiros Energy Exploration II, Ltd., Lord’s Energy, Ltd. and Huisache Exploration, Ltd. (the “**QLH Group Members**”). At this time an agreement has not been reached with the QLH Group Members.

The Plan provides for the formation of the Ricochet Creditor Trust (the “**Creditor Trust**”) for the benefit of Holders of Allowed Secured M&M Lien Claims and Allowed General Unsecured Claims. Traton Engineering Associates, L.P. was selected by the Official Committee of Unsecured Creditors (the “**Committee**”) to serve as the initial Trustee. Reorganized Debtors shall execute and deliver (i) the Trust Production Payment Assignment, (ii) the Trust Deed of Trust, and (iii) an assignment of the Assigned Actions, to the Creditor Trust. In addition, Settling Other Transferees will deliver assignments of certain overriding royalty interests. Distributions to Holders of Allowed Secured M&M Lien Claims and Allowed General Unsecured Claims will be made by the Creditor Trust in accordance with the Amended Plan and the Trust Agreement as described below.

The Reorganized Debtors shall operate and pay the expenses of the oil and gas properties in accordance with the Operation and Expense Payment Agreement.

Holders of Other Priority Claims (Class 1), Allowed Other Secured Claims (Class 2), the JOWF Allowed Secured Claim (Class 3), Allowed Thomas Lamont Claim (Class 6), Intercompany Claims (Class 7) and Subordinated Claims (Class 8) will be satisfied by the Reorganized Debtors as described herein.

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

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

B. Classification and Treatment Summary

The following is a summary of the classification and treatment of Claims and Interests under the Amended Plan. Reference should be made to the entire Amended Disclosure Statement and to the Amended 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 AMENDED PLAN. THE AMENDED PLAN INCLUDES OTHER PROVISIONS THAT MAY AFFECT YOUR RIGHTS. YOU ARE URGED TO READ THE AMENDED PLAN IN ITS ENTIRETY.

ARTICLE 9 TREATMENT OF UNCLASSIFIED CLAIMS

A. 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.

B. 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.

C. 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.

D. 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.

E. Bar Date

1. Administrative Expenses. The Confirmation Order shall establish an Administrative Expenses Bar Date for the filing of all Administrative Expenses (other than Administrative Expenses paid in the ordinary course of business pursuant to Article 2 hereof and Claims for United States Trustee fees), which date shall be thirty (30) days after the Effective Date. Holders of such asserted Administrative Expenses must file an application for payment of Administrative Expense with the Bankruptcy Court on or before such Administrative Expenses Bar Date or forever be barred from doing so. The notice of Confirmation shall set forth the Administrative Expenses Bar Date, and the Debtors or the Reorganized Debtors, as the case may be, and any other party in interest, shall have twenty-one (21) days following the Administrative Expenses Bar Date to review and object to such Administrative Expenses. All such objections shall be litigated to Final Order; provided, however, that the Debtors or the Reorganized Debtors,

may compromise and settle, withdraw or resolve by any other method, without requirement of Bankruptcy Court approval, any objections to Administrative Expenses.

2. Professional Fee Claims. All final applications for Professional Fee Claims must be filed and served on the Reorganized Debtors and their respective counsel no later than thirty (30) days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Objections to any such applications must be filed and served on the Reorganized Debtors, their respective counsel and the requesting Professional or other Entity, no later than twenty-one (21) days (or such other period as may be allowed by order of the Bankruptcy Court or as otherwise agreed to between the parties) after the date on which the applicable application for compensation or reimbursement was served.

ARTICLE 10 CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. Introduction

The Amended Plan places all Claims and Equity Interests, except unclassified Claims provided for in Amended Plan 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.

B. Summary of Classes and Treatment

The below table summarizes the classification and treatment of the pre-petition Claims and Equity Interests under the Amended Plan and provides an estimated recovery percentage. This summary is conditioned in its entirety by reference to the provisions of the Amended Plan.

<u>CLASS</u>	<u>DESIGNATION</u>	<u>IMPAIRMENT</u>	<u>ENTITLED TO VOTE</u>	<u>ESTIMATED RECOVERY PERCENTAGE²</u>
Class 1	Other Priority Claims	Unimpaired	No (deemed to accept)	100%
Class 2	Allowed Other Secured Claims	Unimpaired	No (deemed to accept)	100%
Class 3	J.O. Walker, Jr. Family Limited Partnership Allowed Secured Claim	Impaired	Yes	100%
Class 4	Allowed Secured M&M Lien Claims	Impaired	Yes	100%
Class 5	Allowed General Unsecured Claims	Impaired	Yes	In excess of 37%
Class 6	Thomas Lamont Allowed Claim (if any)	Impaired	Yes	In excess of 37%
Class 7	Intercompany Claims	Impaired	Yes	0 - ____%
Class 8	Subordinated Claims	Impaired	Yes	0 - ____%
Class 9	Equity Interests	Unimpaired	No (deemed to accept)	0

² In preparing the recovery analysis the Debtors made various estimates and assumptions based on available information. Therefore, results may differ from estimated recoveries.

C. 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 its claim which is projected to be approximately Two Million Two Hundred Fifty-Seven Thousand Two Hundred Forty-Four and 00/100 Dollars (\$2,257,244.00), plus interest.

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 Plan 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. Class 4 Funds consist of 60% of all cash proceeds actually received by the Creditor Trust from all Trust Assets. By dedicating 60% of all Trust Assets, including property as to which _____ M&M Lien Claims do not encumber, the recovery rate of Allowed Secured M&M Lien Claims are reduced and payment accelerated. The amount of each Allowed Secured M&M Lien Claim shall be determined in accordance with the M&M Lien Value Schedule which is attached to the Plan as Exhibit F. 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 Allowed Secured M&M Lien Claim Holder's beneficial interest in the Creditor Trust shall (as related to such Claims) terminate upon satisfaction of its Allowed Secured M&M Lien Claim. 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. An initial Distribution of Class 4 Funds will be made within 45 days after the Effective Date. Subsequent Distributions of accumulated Class 4 Funds will be made semi-annually.

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. Class 5 Funds consist of all cash proceeds actually received by the Creditor Trust from the Trust Assets, excluding Class 4 Funds, and minus (i) Allowed Professional Fee Claims of the Committee not satisfied by Reorganized Debtors, (ii) fees and expenses of the Creditor Trust, and (iii) the Trust Operating Expense Reserve. An initial Distribution of Class 5 Funds will be made (i) 120 days after the Effective Date, and (ii) such time as Class 5 Funds exceed \$100,000. Subsequent Distributions will be made semi-annually.

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.

D. Source of Payments

Notwithstanding any provision herein to the contrary, the Reorganized Debtors shall make all payment with respect to Classes 1, 2, 3, 6, 7 and 8 Claims. The Creditor Trust shall only make Distributions on account of Classes 4 and 5 Claims.

E. 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 11
MEANS OF IMPLEMENTING THE PLAN**

A. 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 The JOWF Partial Lien Release and release of the JOWF adequate protection claims free up assets

that would otherwise be encumbered by the JOWF thereby permitting the treatment of Claims of creditors and Equity Interests provided for in the Plan. It is the position of Debtors and the JOWF that said releases constitute in effect a transfer of value from the JOWF to other Classes of creditors and Holders of Equity Interests. It is also the position of Debtors that 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.

B. 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.

C. 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.

D. 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 the 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 the 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.

E. Settlements

1. 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:

i) 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.

ii) As further described in Plan 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.

iii) 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.

iv) The JOWF Partial Lien Release shall be executed by the JOWF and delivered to the Trustee.

v) The Claims of the JOWF shall be satisfied in accordance with the treatment set forth in Plan Section 3.03(c), and any Claims of JOB arising prior to the Effective Date or by virtue of the Plan (other than the JOWF Reorganization Note) shall be deemed released.

2. 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:

i) Each Settling Other Transferee is included as a Released Party and as provided in Plan 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.

ii) Each Settling Other Transferee shall execute and deliver to the Trustee a Settling Other Transferee ORRI Assignment which shall contain a special warranty of title (except as to M&M Lien Claims).

iii) 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.

iv) 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.

v) 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.

vi) Each Settling Other Transferee shall agree that any Lien rights under a Joint Operating Agreement are subordinate to the Liens granted pursuant to the Trust Deed of Trust.

3. Potential 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:

i) Each Settling QLH Group Member would be included as a Released Party and as provided in Plan 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.

ii) Each Settling QLH Group Member would be required to execute and deliver to Reorganized Ricochet Energy, Inc., a Settling QLH Group Member Assignment which shall contain a special warranty of title (except as to M&M Lien Claims). 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.

iii) 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.

iv) 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.

v) Each Settling QLH Group Member would agree that any Lien rights under a Joint Operating Agreement are subordinate to the Liens granted pursuant to the Trust Deed of Trust.

F. Trust Production Payment Assignment

1. 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) in the event of settlement with the QLH

Group Members on the terms outlined above, seventy-two percent (72%) of the Net Revenue Interests conveyed to Reorganized Debtors pursuant to the Settling QLH Group Member Settlement Agreement. At this time, the ultimate terms of any settlement with the QLH Group Members, if any, is unknown.

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.

2. 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 Plan 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 Plan 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) fees and expenses of the Creditor Trust, including compensation of the Trustee and employees (except costs and fees incurred in connection with a breach of obligations to the Creditor Trust under the Plan or a Plan Implementation Document which will be added to the obligation amount). 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.

3. 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 Plan Section 4.08) minus the applicable percentage of associated ad valorem taxes.

4. 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.

G. JOWF Production Payment Assignment

1. **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.

2. 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.

3. **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.

4. **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.

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

6. **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.

H. Post-Confirmation Assets and Operations

1. **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 11** shall be effective notwithstanding any requirements under non-bankruptcy law.

2. **Revesting of Assets.** The property of each Debtor's Estate shall revest 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 the 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 the 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. Any residual Trust Assets, the JOWF Assets and the Other Assignee Assets are to be reconveyed to the assigning parties upon satisfaction of the Reorganized Debtors' obligations to Holders of Class 3, 4 and 5 Claims and the Creditors Trust under the Plan and Plan Implementation Documents.

3. Management. 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

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. 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 shall be subordinate to the Trust Deed of Trust as to the collateral pledged pursuant to the Trust Deed of Trust.

5. 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.

I. 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:

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).

J. 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.

K. Releases, Exculpation and Injunction

1. Debtors' Releases. AS OF THE EFFECTIVE DATE, FOR GOOD AND VALUABLE CONSIDERATION, THE ADEQUACY OF WHICH IS HEREBY CONFIRMED, THE DEBTORS AS DEBTORS IN POSSESSION, THE REORGANIZED DEBTORS AND ANY ENTITY SEEKING TO EXERCISE THE RIGHTS OF THE DEBTORS' ESTATES, INCLUDING ANY SUCCESSOR TO THE DEBTORS OR ANY ESTATE REPRESENTATIVE APPOINTED OR SELECTED PURSUANT TO SECTION 1123(B)(3) OF THE BANKRUPTCY CODE, INCLUDING THE TRUSTEE, WILL BE DEEMED TO HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY FOREVER RELEASED, WAIVED AND DISCHARGED THE RELEASED PARTIES FROM ANY AND ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION AND LIABILITIES WHATSOEVER (OTHER THAN FOR WILLFUL MISCONDUCT, INTENTIONAL FRAUD OR CRIMINAL CONDUCT AND OTHER THAN THE RIGHTS OF THE DEBTORS, THE REORGANIZED DEBTORS AND THE CREDITOR TRUST TO ENFORCE THE PLAN AND THE CONTRACTS, INSTRUMENTS, RELEASES AND OTHER AGREEMENTS OR DOCUMENTS RELATED HERETO), WHETHER DIRECT OR DERIVATIVE, LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT,

MATURED OR UNMATURED, DISPUTED OR UNDISPUTED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, THEN EXISTING OR THEREAFTER ARISING, IN LAW, EQUITY OR OTHERWISE THAT ARE BASED IN WHOLE OR IN PART ON ANY ACT, OMISSION, TRANSACTION, EVENT OR OTHER OCCURRENCE TAKING PLACE ON OR PRIOR TO THE EFFECTIVE DATE, OR IN ANY WAY RELATING TO THE RESTRUCTURING OF THE DEBTORS, THE CHAPTER 11 CASES, THE PLAN, OR THE DISCLOSURE STATEMENT, AND THAT COULD HAVE BEEN ASSERTED BY OR ON BEHALF OF THE DEBTORS OR THEIR ESTATES AGAINST ANY OF THE RELEASED PARTIES. NOTWITHSTANDING THE FOREGOING, NOTHING HEREIN SHALL RELEASE, DISCHARGE OR ENJOIN THE TRUSTEE FROM PURSUING ANY CAUSE OF ACTION AGAINST ANY ENTITY THAT IS NOT A RELEASED PARTY.

2. Releases By Holders of Claims and Equity Interests. AS OF THE EFFECTIVE DATE, FOR GOOD AND VALUABLE CONSIDERATION, THE ADEQUACY OF WHICH IS HEREBY CONFIRMED, EACH HOLDER OF A CLAIM OR EQUITY INTEREST, FOR THEMSELVES AND ON BEHALF OF ANY SUCCESSORS AND ASSIGNS, WILL BE DEEMED TO HAVE CONCLUSIVELY, ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY, FOREVER RELEASED, WAIVED AND DISCHARGED EACH OF THE RELEASED PARTIES FROM ANY AND ALL CLAIMS, OBLIGATIONS, SUITS, JUDGMENTS, DAMAGES, DEMANDS, DEBTS, RIGHTS, CAUSES OF ACTION AND LIABILITIES WHATSOEVER (EXCEPT FOR THE RIGHTS TO ENFORCE THE PLAN AND PLAN IMPLEMENTATION DOCUMENTS), WHETHER DIRECT OR DERIVATIVE, LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT, MATURED OR UNMATURED, DISPUTED OR UNDISPUTED, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, THEN EXISTING OR THEREAFTER ARISING, IN LAW, EQUITY OR OTHERWISE THAT ARE BASED IN WHOLE OR IN PART ON ANY ACT, OMISSION, TRANSACTION, EVENT OR OTHER OCCURRENCE TAKING PLACE ON OR PRIOR TO THE EFFECTIVE DATE, OR IN ANY WAY RELATING TO THE RESTRUCTURING OF THE DEBTORS, THE CHAPTER 11 CASES, THE PLAN, OR THE DISCLOSURE STATEMENT, EXCEPT THAT, AS TO SPECIFICALLY THE RELEASED PARTIES, NOTHING HEREIN RELEASES WILLFUL MISCONDUCT, INTENTIONAL FRAUD, OR CRIMINAL CONDUCT.

3. Exculpation and Limitation of Liability. The Released Parties shall not have or incur any liability to any Holder of a Claim or an Equity Interest, or any other party-in-interest, or any of their respective agents, employees, equity interest holders, partners, members, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of the negotiation, Solicitation, the Plan and Disclosure Statement, the administration of the Chapter 11 Cases, the Solicitation of acceptances hereof, the pursuit of Confirmation hereof, the implementation hereof, or the administration hereof or the property to be distributed hereunder, except for their willful misconduct, intentional fraud or criminal conduct, and in all respects they shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities.

4. Injunction. ALL INJUNCTIONS OR STAYS PROVIDED FOR IN THE CHAPTER 11 CASES PURSUANT TO SECTIONS 105 AND 362 OF THE BANKRUPTCY CODE OR OTHERWISE AND IN EFFECT ON THE CONFIRMATION DATE, SHALL

REMAIN IN FULL FORCE AND EFFECT UNTIL THE EFFECTIVE DATE. EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR THE CONFIRMATION ORDER, ALL ENTITIES THAT HAVE HELD, HOLD OR MAY HOLD CLAIMS OR CAUSES OF ACTION AGAINST THE DEBTORS ARE, AS OF THE EFFECTIVE DATE PERMANENTLY ENJOINED FROM TAKING ANY OF THE FOLLOWING ACTIONS AGAINST ANY OF THE DEBTORS AND THEIR ESTATES, THE REORGANIZED DEBTORS OR THEIR PROPERTY OR ASSETS, THE CREDITOR TRUST OR THE TRUST ASSETS (EXCEPT AS EXPRESSLY PROVIDED IN THE PLAN): (A) COMMENCING, CONDUCTING OR CONTINUING IN ANY MANNER, DIRECTLY OR INDIRECTLY, ANY SUIT, ACTION OR OTHER PROCEEDING RELATING TO SUCH CLAIM OR CAUSE OF ACTION; (B) ENFORCING, LEVYING, ATTACHING, COLLECTING OR OTHERWISE RECOVERING IN ANY MANNER OR BY ANY MEANS, WHETHER DIRECTLY OR INDIRECTLY, ANY JUDGMENT, AWARD, DECREE OR ORDER RELATING TO SUCH CLAIM OR CAUSE OF ACTION; (C) CREATING, PERFECTING OR ENFORCING IN ANY MANNER, DIRECTLY OR INDIRECTLY, ANY LIEN RELATING TO SUCH CLAIM OR CAUSE OF ACTION; (D) ASSERTING ANY SETOFF, RIGHT OF SUBROGATION OR RECOUPMENT OF ANY KIND, DIRECTLY OR INDIRECTLY, AGAINST ANY DEBT, LIABILITY OR OBLIGATION DUE TO THE DEBTORS RELATING TO SUCH CLAIM OR CAUSE OF ACTION; AND (E) PROCEEDING IN ANY MANNER IN ANY PLACE WHATSOEVER THAT DOES NOT CONFORM TO OR COMPLY WITH OR IS INCONSISTENT WITH THE PROVISIONS OF THE PLAN OR THE CONFIRMATION ORDER. M&M LIEN CLAIMANTS AND THE CREDITOR TRUST AND ANY ALLOWED CLAIMS 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 OF DEBTORS, THE JOB PARTIES, THE SETTLING QLH GROUP MEMBERS, THE SETTLING OTHER TRANSFEREES AND THE OTHER RELEASED PARTIES IN THE PROPERTIES SUBJECT TO SUCH M&M LIEN CLAIMS.

L. Preservation of Causes of Action

1. Reorganized Debtors Preservation of Causes of Action. Except as otherwise provided in the Plan, 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 the 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 against (i) Thomas Lamont and his Affiliates, and (ii) working interest owners based upon joint interest billings (except to the extent released under the Plan ("Reorganized Debtors 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 Reorganized Debtors Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. The Reorganized Debtors may pursue such Reorganized Debtors 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 Reorganized Debtors 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 Reorganized Debtors Cause of Action against it as any indication that the Debtors or the Reorganized Debtors will not pursue any and all available Reorganized Debtors Causes of Action against it. The Debtors or the Reorganized Debtors, as applicable, expressly reserve all rights to prosecute any and all Reorganized Debtors 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 Reorganized Debtors 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 Reorganized Debtors Causes of Action upon, after, or as a consequence of the Confirmation.

Preservation of Assigned Actions. On the Effective Date, the Assigned Actions will include all Avoidance Actions other than as against the Released Parties shall be assigned to the 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 Plan Section 4.26(b)) or further notice to or action, order, or approval of the Bankruptcy Court. The term "Assigned Actions" is defined in the Plan as follows: "means all Causes of Action of Debtors (including Avoidance Actions), except for (i) Causes of Action against the Released Parties and Thomas Lamont, and (ii) Causes of Action based on Debtors' pre-petition and post-petition joint interest billings other than as to working interest owners that are not Released Parties (which shall be Assigned Actions). A list of identified potential Causes of Action will be filed as a Plan Implementation Document." The term "Avoidance Action" is defined in the Plan as "any actions commenced, or that may be commenced, before or after the Effective Date pursuant to section 544, 545, 547, 548, 549, 550, 551 or 553 of the Bankruptcy Code." Assigned Actions include potential Avoidance Actions against recipients of transfers within the 90 day period prior to the Petition Date which are listed in the excerpts from Debtors Statement of Financial Affairs attached hereto as Exhibit 4. Assigned Actions also include potential Avoidance Actions against the QLH Group Members based upon assignment of oil and gas interests made by the Debtors prior to the Petition Date, except as to the

QLH Group Member that becomes a Released Party based upon the Settling QLH Group Member Settlement Agreement.

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.

M. 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.

N. The Creditor Trust

1. 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. Plan 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.

2. Trustee. The initial Trustee of the Creditor Trust shall be Traton Engineering Associates, L.P. The experience and qualifications of Patrick W. Merritt, President of Traton Engineering Associates, L.P. are described in Exhibit 5 attached hereto. The Trustee would be compensated for services performed.

3. 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.

4. 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.

5. Trust Assets. The Creditor Trust shall consist of the Trust Assets. On the Effective Date, all Transfers to the Creditor Trust provided for under the 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 Plan 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 Plan 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.

6. 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.

7. 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.

8. General Powers of Trustee. The Trustee, on behalf of the Creditor Trust, shall have all of the rights, powers and privileges set forth in the Plan, the Confirmation Order, and the Trust Agreement. Subject to obtaining the approval of the Trust Administration Committee to the extent required by Plan 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:

- 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;
- 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;
- Make Distributions to the Holders of Allowed Secured M&M Lien Claims and Allowed General Unsecured Claims contemplated under the Plan and Trust Agreement;
- 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;
- 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;
- With the prior approval of the Trust Administration Committee, abandon any of the assets of the Creditor Trust if the Trustee concludes that such assets are of no net benefit to Allowed Secured M&M Lien Claims and Allowed General Unsecured Claim Holders;
- Participate in or initiate any proceeding with respect to the Trust Assets before the Bankruptcy Court or any other court of appropriate jurisdiction and participate as a party or otherwise in any administrative, arbitative or other non-judicial proceeding and litigate claims on behalf of the Creditor Trust, including all Assigned Actions;
- 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;
- With the prior approval of the Trust Administration Committee, participate in or initiate, prosecute and settle an objection to allowance of any General Unsecured Claim or M&M Lien Claim without approval of the Bankruptcy Court;

- 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;

- 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;

- 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. For avoidance of doubt, the engagement of any professionals by the Creditor Trust must be approved in advance by the Trust Administration Committee. Subject to Trust Administration Committee approval, the Trustee may commit the Creditor Trust to and shall pay Creditor Trust Professionals reasonable compensation for services rendered and expenses incurred and may engage counsel on a contingent basis. A law firm or professional shall not be disqualified from serving as a Creditor Trust Professional solely because of its current or prior retention as counsel or professional to the parties in interest in the Cases;

- Retain and pay such third parties as the Trustee may deem necessary or appropriate to assist the Trustee in carrying out its powers and duties under the Trust Agreement, subject to Trust Administration Committee approval. Subject to Trust Administration Committee approval, the Trustee may commit the Creditor Trust to and shall pay all such Persons reasonable compensation for services rendered and expenses incurred, as well as commit the Creditor Trust to indemnify any such parties in connection with the performance of services;

- 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 the 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;

- 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 the Plan;

- 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;

- Execute releases of M&M Liens and General Unsecured Claims with respect to Released Parties to the extent provided for in the Plan;

- Execute offsets and assert counterclaims against General Unsecured Claims and M&M Lien Claims as part of an objection to any M&M Lien Claim or General Unsecured Claim, but only up to the amount of the General Unsecured Claim or M&M Lien Claim;
- 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);
- Request any appropriate tax determination with respect to the Creditor Trust, including, without limitation, a determination pursuant to Section 505 of the Bankruptcy Code;
- 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;
- 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;
- Establish and maintain such bank accounts (including, but not limited to the Class 4 Account, Class 4 Disputed Claim Account, Class 5 Account, Class 5 Disputed Claim Account, Trust Operating Expense Account, and the Trust Operating Expense Reserve Account), to 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;
- 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;
- 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;
- 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;
- File dissolution/termination documents with the appropriate governmental agencies to dissolve the Creditor Trust;
- 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;

- Open and maintain bank accounts on behalf of or in the name of the Creditor Trust;
- 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;
- Pay all lawful expenses, debts, charges and liabilities of the Creditor Trust or relating to the Trust Assets;
- 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
- Exercise such other powers and duties as are necessary or appropriate in the Trustee's discretion to accomplish the purposes of the Plan.

O. Trust Administration Committee

1. Formation. On the Effective Date, a Trust Administration Committee shall be formed. The Trust Administration Committee shall be governed by the terms of the Trust Agreement. The members of the Trust Administration Committee shall appoint representatives as provided for in the Trust Agreement. Any member of the Trust Administration Committee may designate any other member as proxy for any vote of the Trust Administration Committee. Until any vacancy on the Trust Administration Committee is filled, the Trust Administration Committee shall function in its reduced number.

2. Members. The initial members of the Trust Administration Committee shall be:

Baker Hughes Oilfield Operations, Inc.
Halliburton Energy Services, Inc.
Newpark Drilling Fluids
NOVA Directional, Inc.
Schlumberger Technology Corporation

3. Powers of the Trust Administration Committee. The Trust Administration Committee shall:

i) have the right to review, approve and object to settlements and proposed prosecution, release or abandonment of objections to M&M Lien Claims, General Unsecured Claims and/or Causes of Action by the Trustee subject to the terms of the Plan, the Confirmation Order, and the Trust Agreement, provided, however, that no member of the Trust Administration Committee shall review or have any authority over decisions of the Trust Administration Committee or the Trustee relating to any Claims or Causes of Action in which that member is a claimant against any Debtor or defendant in an action brought by any Debtor, any Reorganized Debtor or the Creditor Trust;

ii) have the right to review, approve and object to proposed sales and other dispositions of Trust Assets;

iii) be vested with authority to remove the Trustee, or any successor Trustee, appointed pursuant to the Plan, the Confirmation Order, or the Trust Agreement;

iv) consult with the Trustee in connection with any other matters related to the Plan, the Confirmation Order, or the Trust Agreement;

v) Select a successor member of Trust Administration Committee as provided in Section 6.5 of the Trust Agreement;

vi) Approve the hiring of each professional by the Trustee and the terms under which each such professional is to be compensated;

vii) Monitor and receive periodic reports and updates from the Trustee regarding the status of the administration of the Creditor Trust Assets; and

viii) perform such additional functions otherwise provided for in the Plan, the Confirmation Order, or the Trust Agreement, or are provided for by further order of the Court entered after the Effective Date.

4. Exculpation. The members of the Trust Administration Committee shall undertake their duties as specified in the Plan and the Trust Agreement. In serving as a member of the Trust Administration Committee, such members shall not assume or be deemed to have assumed any liability to Creditors, Equity Interest Holders, the Debtors, the Reorganized Debtors, the Creditor Trust, the Trustee, or any other parties in interest in the Chapter 11 Cases and shall not be liable for any acts or omissions while acting in that capacity, except for acts or omissions in bad faith and acts or omissions constituting malfeasance or gross negligence. In addition, the members of the Trust Administration Committee shall be entitled to reimbursement from the Creditor Trust of their reasonable expenses incurred in connection with their duties as members of the Trust Administration Committee. Resignation and removal of Trust Administration Committee members, and appointment of their successors, shall be conducted pursuant to the terms of the Trust Agreement.

5. Dissolution. The Trust Administration Committee shall be dissolved at the time the Creditor Trust is dissolved. Upon dissolution, the members thereof shall be released and discharged of and from all further authority, duties, responsibilities and obligations related to and arising from their service as Trust Administration Committee members.

6. Indemnification of Trust Administration Committee. The Trust Administration Committee or the individuals comprising the Trust Administration Committee, as the case may be, and the Trust Administration Committee's agents and professionals, shall not be liable for actions taken or omitted in its capacity as, or on behalf of, the Trust Administration Committee, except those acts arising out of its or their own willful misconduct, gross negligence, bad faith, self-dealing, breach of fiduciary duty, or ultra vires acts, and each shall be entitled to indemnification and reimbursement from Trust Assets for fees and expenses in defending any and

all of its actions or inactions in its capacity as, or on behalf of, the Trust Administration Committee, except for any actions or inactions involving willful misconduct, gross negligence, bad faith, self-dealing, breach of fiduciary duty, or ultra vires acts. Any indemnification claim of the Trust Administration Committee shall be satisfied exclusively from the Trust Assets. The Trust Administration Committee shall be entitled to rely, in good faith, on the advice of its retained professionals.

P. Treatment of Executory Contracts

1. Assumed Contracts and Leases. Except as otherwise provided herein, or in any contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan, as of the Effective Date each Reorganized Debtor shall be deemed to have assumed each executory contract and unexpired lease to which it is a party, unless such contract or lease (a) was previously assumed or rejected by the Debtors, (b) is the subject of a motion to reject filed on or before the Confirmation Date or (c) is set forth in a schedule, as an executory contract or unexpired lease to be rejected, filed as part of the Plan Implementation Documents. The Confirmation Order shall constitute an order of the Bankruptcy Court under section 365 of the Bankruptcy Code approving the contract and lease assumptions or rejections described above, as of the Effective Date. Each executory contract and unexpired lease assumed pursuant to the Plan or by any order of the Bankruptcy Court shall revest in and be fully enforceable by the Reorganized Debtors in accordance with its terms, except as such terms are modified by the provisions of the Plan or any order of the Bankruptcy Court authorizing and providing for its assumption under applicable federal law.

Unless otherwise provided in the Plan, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases, related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

2. Payments Related to Assumption of Contracts and Leases. The Debtors shall file a list of proposed amounts of any Cure for each executory contract and unexpired lease to be assumed with the Plan Implementation Documents and any party to such executory contract or unexpired lease shall have until one business day before the Confirmation Hearing to file an objection to the proposed Cure with the Bankruptcy Court. Any monetary amounts by which any executory contract and unexpired lease to be assumed under the Plan is in default shall be satisfied, under section 365(b)(1) of the Bankruptcy Code, by the applicable Debtor on or before the Effective Date; provided, however, if there is a dispute regarding (i) the nature or amount of any Cure, (ii) the ability of a Reorganized Debtor or any assignee to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed, or (iii) any other matter pertaining to assumption, Cure shall occur following the entry of a Final Order of the Bankruptcy Court resolving the dispute and approving the assumption or assumption and assignment, as the case may be; provided, however, that the Debtors or the Reorganized Debtors may settle any dispute regarding the amount of any Cure without any further notice to or action, order or approval of the Bankruptcy Court. Failure to timely

raise an objection to assumption of any executory contract or unexpired lease, including the proposed amount of any Cure, pursuant to the terms of the Plan shall bar any subsequent objection to assumption of any executory contract or unexpired lease, including any objection to the proposed amount of any Cure.

3. Rejected Contracts and Leases. Except for those executory contracts and unexpired leases set forth on a schedule to the Plan Implementation Documents, none of the executory contracts and unexpired leases to which the Debtors are a party shall be rejected under the Plan; provided, however, that the Debtors reserve the right, at any time prior to the Confirmation Date, to seek to reject any executory contract or unexpired lease to which any Debtor is a party.

4. Claims Based upon Rejection of Executory Contracts or Unexpired Leases. All Claims arising out of the rejection of executory contracts and unexpired leases must be filed with the Bankruptcy Court and served upon the Debtors and its counsel within thirty (30) days after the earlier of (a) the date of entry of an order of the Bankruptcy Court approving such rejection or (b) the Confirmation Date. Any such Claims not filed within such times shall be forever barred from assertion against the Debtors, their Estates, and property.

Q. Committee

The Committee shall dissolve as of the Effective Date and the members of the Committee shall be released and discharged from all authority, duties, responsibilities and obligations related to and arising from and in connection with the Chapter 11 Cases. For the avoidance of doubt, nothing in Plan Section 12.13 or anywhere else in the Plan is intended to affect in any manner the Committee's Professionals from applying to the Bankruptcy Court for the Allowance of Professional Fee Claims incurred through the Effective Date (but not thereafter).

R. Plan Implementation Documents

All exhibits and documents included in the Plan Implementation Documents are incorporated into and are a part of the Plan as if set forth in full in the Plan. All documents required to be filed with the Plan Implementation Documents shall be filed with the Bankruptcy Court at least seven (7) days prior to the date of the commencement of the Confirmation Hearing. Thereafter, any Person may examine the Plan Implementation Documents in the office of the Clerk of the Bankruptcy Court during normal court hours. Copies of the Plan Implementation Documents may also be obtained without charge by contacting Michael G. Colvard at the Martin & Drought, P.C. address listed below.

S. Exemption from Certain Transfer Taxes

Pursuant to Section 1146(a) of the Bankruptcy Code, any transfers from Debtors or their Estates to the Creditor Trust or any other Person pursuant to the Plan in the United States, including any Liens granted by Debtors or their Estates 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

T. 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.

U. Office of the United States Trustee

Debtors 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 the Bankruptcy Cases.

V. Effective Date Conditions

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

- The Confirmation Order shall have been entered in form and substance reasonably satisfactory to Debtors and the Committee and shall, among other things:

- i) provide that Debtors, the Committee and the Creditor Trust are 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;

- The Confirmation Order shall not then be stayed, vacated or reversed;

- All material authorizations, consents, and regulatory approvals required, if any, in connection with consummation of the Plan shall have been obtained; and

- All material actions, documents, and agreements necessary to implement the Plan shall have been effected or executed.

W. Retention of Jurisdiction

Under Sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding the 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 the Plan, to the fullest extent permitted by law, including jurisdiction to:

- hear and determine any and all objections to the allowance of Claims or Equity Interests;

- 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;

- hear and determine any and all motions to subordinate Claims at any time and on any basis permitted by applicable law;

- hear and determine all Administrative Expenses and Professional Fee Claims;

- 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;

- 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;

- 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 the Plan, the Disclosure Statement or the Confirmation Order;

- hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan and all contracts, instruments, and other agreements executed in connection with the Plan;

- hear and determine any request to modify the Plan or to cure any defect or omission or reconcile any inconsistency herein or any order of the Bankruptcy Court;

- 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;

- 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;

- 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 the Plan, the Disclosure Statement or the Confirmation Order;

- enforce all orders, judgments, injunctions, releases, exculpation, indemnification and rulings entered in connection with the Chapter 11 Cases;
- recover all assets of the Debtors and property of the Debtors' Estates, wherever located;
- hear and determine matters concerning state, local, and federal taxes in accordance with Sections 346, 505, and 1146 of the Bankruptcy Code;
- hear and determine all disputes involving the existence, nature, or scope of the Debtors' discharge;
- 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.

X. Modifications and Amendments; Withdrawal

The Plan Proponents may amend or modify the 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.

**ARTICLE 12
DISTRIBUTIONS**

A. Delivery of Distributions; Undeliverable or Unclaimed Distributions

Distributions to Holders of Allowed Claims shall be made by the Reorganized Debtors or the Trustee (with respect to Allowed General Unsecured Claims and Allowed Secured M&M Lien Claims the Trustee) as applicable, (a) at the Holder's last known address, or (b) at the address in any written notice of address change delivered to the Reorganized Debtor and the Trustee. If any Holder's Distribution is returned as undeliverable, no further Distributions to such Holder shall be made, unless and until the Reorganized Debtors or (with respect to Allowed General Unsecured Claims and Allowed Secured M&M Lien Claims the Trustee) is notified of such Holder's then current address, at which time all missed Distributions shall be made to such Holder without interest. Amounts in respect of undeliverable Distributions made by the Reorganized Debtor other than to Holders of Allowed General Unsecured Claims and Allowed Secured M&M Lien Claims shall be returned to the Reorganized Debtors until such Distributions are claimed. Amounts in respect of undeliverable Distributions made by the Creditor Trust to Holders of Allowed Secured M&M Lien Claims and Allowed General Unsecured Claims shall be returned to the Creditor Trust until such Distributions are claimed. All claims for undeliverable Distributions by the Creditor

Trust must be made on or before the first anniversary of the returned Distribution after which date they will be conclusively deemed forfeited, without need for further order of the Bankruptcy Court and no further Distribution will be made for or on account of said Claim. All such forfeited Distributions with respect to Allowed General Unsecured Claims and Allowed Secured M&M Lien Claims (including interest thereon), shall be property of the Creditor Trust notwithstanding any federal or state escheat laws to the contrary. All forfeited Distributions by the Reorganized Debtors to all other Claims of Creditors (including interest thereon), shall be property of the Reorganized Debtors notwithstanding any federal or state escheat laws to the contrary.

B. Withholding and Reporting Requirements

The Trustee shall comply with all tax withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all Distributions from the Creditor Trust shall be subject to any such withholding and reporting requirements. Each Holder of an M&M Lien Claim or a General Unsecured Claim shall be required to execute and deliver a W-9 form to the Trustee as a condition to any Distribution. Any creditor asserting an M&M Lien Claim or General Unsecured Claim must deliver the executed W-9 form to the Trustee on or before the first anniversary of the Effective Date. The rights of any creditor asserting an M&M Lien Claim or a General Unsecured Claim for Distributions from the Creditor Trust will be conclusively deemed forfeited if an executed W-9 form is not timely delivered to the Trustee. All such forfeited Distributions with respect to Allowed General Unsecured Claims and Allowed Secured M&M Lien Claims (excluding interest thereon) shall be property of the Creditor Trust notwithstanding any federal or state escheat laws to the contrary.

C. Setoffs

The Trustee may, but shall not be required to, set off against any Allowed Secured M&M Lien Claim or General Unsecured Claim, and the payments or other Distributions to be made pursuant to the Plan in respect of such Claim, claims of any nature whatsoever that the Trust may have against the Holder of such Claim; provided, however, that neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Trust of any claim that the Trust may have against such Holder. Nothing in the Plan shall be deemed to expand rights to setoff under applicable non-bankruptcy law.

D. De Minimis Distributions

Notwithstanding anything herein to the contrary, no Cash payment of less than \$25.00 shall be made to the Holder of any Claim on account of its Allowed Claim; any such Holder who would otherwise be entitled to a lesser Distribution shall not receive any Distribution.

ARTICLE 13
TAX TREATMENT OF THE CREDITOR TRUST AND HOLDERS OF BENEFICIAL INTERESTS

Upon the Effective Date, the Creditor Trust shall be established for the benefit of beneficiaries of the Creditor Trust under the Plan regardless of whether the Claims of such beneficiaries are Allowed on or after the Effective Date.

A. Classification of the Creditor Trust

The Creditor Trust is intended to qualify as a liquidating trust for U.S. federal income tax purposes. In general, a liquidating trust is not a separate taxable entity but rather is treated for federal income tax purposes as a “grantor” trust (i.e., a pass-through entity). However, merely establishing a trust as a liquidating trust does not ensure that it will be treated as a grantor trust for U.S. federal income tax purposes. The IRS, in Revenue Procedure 94-45, 1994-2 C.B. 684, set forth conditions for obtaining an IRS ruling as to the grantor trust status of a liquidating trust under a chapter 11 plan. The Creditor Trust has been structured with the intention of complying with such conditions. Pursuant to the Plan, and in conformity with Revenue Procedure 94-45, all parties (including the Debtors, the Trustee, the Holders of Allowed General Unsecured Claims and the Holders of Allowed Secured M&M Lien Claims) are required to treat, for federal income tax purposes, the Creditor Trust as a grantor trust of which the Holders of Allowed General Unsecured Claims and Holders of Allowed Secured M&M Lien Claims are the owners and grantors, and the following discussion assumes that the Creditor Trust will be so respected for U.S. federal income tax purposes. However, no ruling has been requested from the IRS and no opinion of counsel has been requested concerning the tax status of the Creditor Trust as a grantor trust. Accordingly, there can be no assurance that the IRS would not take a contrary position. If the IRS were to challenge successfully such classification, the federal income tax consequences to the Creditor Trust, the Holders of Allowed General Unsecured Claims, the Holders of Allowed Secured M&M Lien Claims and the Debtors could vary from those discussed herein (including the potential for an entity level tax on any income of the Creditor Trust).

B. General Tax Reporting by the Creditor Trust and Beneficiaries

For all U.S. federal income tax purposes, all parties (including the Debtors, the Trustee, the Holders of Allowed Secured M&M Lien Claims and the Holders of Allowed General Unsecured Claims) must treat the transfer of the Creditor Trust Assets to the Creditor Trust, in accordance with the terms of the Plan, as a transfer by the Debtors of the Creditor Trust Assets directly to the Holders of Allowed Secured M&M Lien Claims and the Holders of Allowed General Unsecured Claims, followed by the transfer of such Creditor Trust Assets by such Holders to the Creditor Trust. Consistent therewith, all parties must treat the Creditor Trust as a grantor trust of which such Holders are the owners and grantors. Thus, such Holders (and any subsequent Holders of interests in the Creditor Trust) will be treated as the direct owners of an undivided interest in the assets of the Creditor Trust for all U.S. federal income tax purposes (which assets will have an initial adjusted tax basis equal to their fair market value on the Effective Date). Pursuant to the Plan, the Trustee will determine the fair market value of the Creditor Trust Assets as of the Effective Date, and all parties, including the Holders of Allowed Secured M&M Lien Claims and the Holders of Allowed General Unsecured Claims, must consistently use such valuation for all federal income tax purposes.

Accordingly, except as discussed below (in connection with pending Disputed General Unsecured Claims and Disputed M&M Lien Claims), each Holder of an Allowed General Unsecured Claim and each Holder of an Allowed Secured M&M Lien Claim will be required to report on its U.S. federal income tax return its allocable share of any income, gain, loss, deduction or credit recognized or incurred by the Creditor Trust, in accordance with its relative beneficial

interest in the Creditor Trust. The character of items of income, deduction and credit to any Holder and the ability of such Holder to benefit from any deduction or losses may depend on the particular situation of such Holder.

The U.S. federal income tax reporting obligations of a Holder are not dependent upon the Creditor Trust distributing any cash or other proceeds. Therefore, a Holder may incur a federal income tax liability with respect to its allocable share of the income of the Creditor Trust regardless of the fact that the Creditor Trust has not made any concurrent distribution to the Holder. In general, other than in respect of cash retained on account of Disputed General Unsecured Claims and Disputed M&M Lien Claims and subsequently distributed, a distribution of cash by the Creditor Trust to Holders of Allowed General Unsecured Claims and the Holders of Allowed Secured M&M Lien Claims will not be taxable to the Holder because such Holders are already regarded for federal income tax purposes as owning the underlying assets.

The Trustee will file with the IRS returns for the Creditor Trust as a grantor trust pursuant to Treasury Regulation Section 1.671-4(a). The Trustee will also annually send to each Holder of an Allowed General Unsecured Claim and each Holder of an Allowed Secured M&M Lien Claim, as a Holder of a beneficial interest in the Creditor Trust, a separate statement setting forth such Holder's share of items of income, gain, loss, deduction or credit and will instruct the Holder to report such items on its federal income tax return. The Trustee will also file, or cause to be filed, all appropriate tax returns with respect to any Creditor Trust Assets allocable to Disputed General Unsecured Claims and Disputed M&M Lien Claims, as discussed below.

C. IMPORTANCE OF OBTAINING PROFESSIONAL TAX ASSISTANCE

THE FOREGOING SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

ARTICLE 14 FEASIBILITY OF PLAN AND THE BEST INTEREST TEST

Debtors believe the terms of the Plan are feasible and will provide a significant return to the creditors on their Allowed Claims.

A. Feasibility of the Plan.

In connection with Confirmation of the Plan, section 1129(a)(11) of the Bankruptcy Code requires that the Bankruptcy Court find that Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors. This is the so-called "feasibility" test. To support their belief in the feasibility of the Plan, the Debtors, with the assistance of SGS, have prepared the Financial Projections attached as Exhibits 7 and 8.

The Financial Projections indicate that the Reorganized Debtors should have sufficient cash flow to make the payments required under the Plan on the Effective Date, repay and service

debt obligations as they become due, and maintain operations on a going-forward basis. Accordingly, the Debtors believe that the Plan complies with section 1129(a)(11) of the Bankruptcy Code. As noted in the Financial Projections, however, the Debtors caution that no representations can be made as to the accuracy of the Financial Projections or as to the Reorganized Debtors' ability to achieve the projected results. Many of the assumptions upon which the Financial Projections are based are subject to uncertainties outside the control of the Debtors. Some assumptions inevitably will not materialize, and events and circumstances occurring after the date on which the Financial Projections were prepared may be different from and may adversely affect the Reorganized Debtors' financial results. See **ARTICLE 15** — "CERTAIN FACTORS TO CONSIDER" for a discussion of certain risk factors that could affect financial feasibility of the Plan.

THE FINANCIAL PROJECTIONS WERE NOT PREPARED WITH A VIEW TOWARD COMPLIANCE WITH THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OR THE RULES AND REGULATIONS OF THE SECURITIES AND EXCHANGE COMMISSION REGARDING FINANCIAL PROJECTIONS. FURTHERMORE, THE FINANCIAL PROJECTIONS HAVE NOT BEEN AUDITED BY THE DEBTORS' INDEPENDENT CERTIFIED ACCOUNTANTS. ALTHOUGH PRESENTED WITH NUMERICAL SPECIFICITY, THE FINANCIAL PROJECTIONS ARE BASED UPON A VARIETY OF ASSUMPTIONS, SOME OF WHICH HAVE NOT BEEN ACHIEVED TO DATE AND MAY NOT BE REALIZED IN THE FUTURE, AND ARE SUBJECT TO SIGNIFICANT BUSINESS, LITIGATION, ECONOMIC, AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY, IF NOT ALL, OF WHICH ARE BEYOND THE CONTROL OF THE DEBTORS. CONSEQUENTLY, THE FINANCIAL PROJECTIONS SHOULD NOT BE REGARDED AS A REPRESENTATION OR WARRANTY BY THE DEBTORS, OR ANY OTHER PERSON, THAT THE FINANCIAL PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY VARY MATERIALLY FROM THE THOSE PRESENTED IN THE FINANCIAL PROJECTIONS.

B. Best Interests Test.

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

To calculate the probable Distribution to members of each Impaired Class of Claims and Equity Interests if the Debtors were liquidated under chapter 7, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the disposition of the Debtors' assets if liquidated in chapter 7 cases under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the Debtors' assets by a chapter 7 trustee.

The amount of liquidation value available to Holders of Claims against the Debtors would be reduced by, first, the claims of secured creditors (to the extent of the value of their collateral), and by the costs and expenses of liquidation, as well as by other administrative expenses and costs of the chapter 7 cases. Costs of a liquidation of the Debtors under chapter 7 of the Bankruptcy Code would include the compensation of a chapter 7 trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, and litigation costs. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay unsecured Claims or to make any distribution in respect of Equity Interests, if any. The liquidation would also prompt the rejection of executory contracts and unexpired leases and thereby create a greater amount of unsecured Claims.

Once the Bankruptcy Court ascertains the recoveries in liquidation of the Debtors' secured and priority creditors, it would then determine the probable distribution to unsecured creditors from the remaining available proceeds of the liquidation. If this probable distribution does not provide for recoveries to unsecured creditors at least equal to the value of their Distributions under the Plan, then the Plan is not in the best interests of creditors and cannot be confirmed by the Bankruptcy Court. As shown in the Liquidation Analysis attached as Exhibit 6, the Debtors believe that each member of each Class of Impaired Claims and Equity Interests will receive at least as much, if not more, under the Plan as it would receive if the Debtors were liquidated.

Notwithstanding the difficulty in quantifying recoveries to holders of Allowed Claims, the Debtors believe that the financial disclosures and projections contained herein imply a greater or equal recovery to Impaired Class of Holders of Claims than the recover available in a chapter 7 liquidation.

C. Liquidation Analysis.

To calculate the probable Distribution to members of each Impaired Class of Holders of Claims or Equity Interests if the Debtors were liquidated under chapter 7, a Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the Debtors if these Chapter 11 Cases were converted to chapter 7 cases under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the Debtors' assets by a chapter 7 trustee.

The amount of liquidation value available to unsecured creditors would be reduced by the claims of secured creditors to the extent of the value of their collateral and by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the chapter 7 case and the chapter 11 case. Costs of a liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a chapter 7 trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid expenses incurred by the Debtors in the Chapter 11 Cases (such as compensation of attorneys, financial advisors, and accountants) that are allowed in the chapter 7 cases, litigation costs, and claims arising from the operations of the Debtors during the pendency of the bankruptcy case. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made

available to pay Unsecured Claims or to make any distribution in respect of Equity Interests. The liquidation would also prompt the rejection of executory contracts and unexpired leases and thereby create a significantly greater amount of Unsecured Claims.

Once the Bankruptcy Court ascertains the recoveries in liquidation of the secured creditors and priority claimants, it must determine the probable distribution to holders of Unsecured Claims and Equity Interests from the remaining available proceeds in liquidation. If such probable distribution has a value greater than the distributions to be received by Holders of Unsecured Claims and Equity Interests under the Debtors' Plan, then such Plan is not in the best interests of such Holders of Unsecured Claims and Equity Interests.

As shown in the Liquidation Analysis prepared by the Debtors and attached as Exhibit 6 to this Disclosure Statement, the Debtors believe that each Class of Claims will receive more or an equal amount under the Plan than they would receive if the Debtors were liquidated in chapter 7.

ARTICLE 15 CERTAIN FACTORS TO CONSIDER

A. General

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD READ AND CAREFULLY CONSIDER THE FACTORS SET FORTH BELOW, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT. THESE FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION. ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO THE DEBTORS OR THAT THEY CURRENTLY DEEM IMMATERIAL MAY ALSO HARM THEIR BUSINESSES.

The extent to which a chapter 11 proceeding disrupts the Debtors' businesses will likely be directly related to the length of time it takes to complete the reorganization proceeding. If the Debtors are unable to obtain Confirmation of the Plan on a timely basis because of a challenge to the Plan or a failure to satisfy the conditions to the Plan, they may be forced to continue to operate in chapter 11 for an extended period while they try to develop a different reorganization plan that can be confirmed. That would increase both the probability and the magnitude of the adverse effects described in this Disclosure Statement.

B. Certain Risks Related to the Debtors' Business and Industry

1. Properties of the Debtors May Not Produce as Projected. Debtors properties may not produce as projected. Debtors' projections are determined by assessing many factors, which are inherently inexact and may be inaccurate, including:

- The amount of recoverable reserves and the rates at which those reserves will be produced;

- Future oil and natural gas prices;
- Estimates of operating costs;
- Estimates of future development costs;
- Estimates of the costs and timing of plugging and abandonment activities; and
- Potential environmental and other liabilities.

2. Loss of Key Management and Failure to Attract Qualified Management. Successfully developing and implementing their strategies will depend, in part, on the Reorganized Debtors' management team. The loss of members of the Reorganized Debtors' management team could have an adverse effect on their business.

C. Exploring for and Producing Oil and Natural Gas Are High-Risk Activities With Many Uncertainties That Could Adversely Affect the Debtors' Business, Financial Condition or Results of Operations.

The Reorganized Debtors' success will depend on the success of their exploration and production activities. The Reorganized Debtors' oil and natural gas exploration and production activities are subject to numerous risks beyond their control, including the risk that drilling will not result in commercially viable oil or natural gas production. The Reorganized Debtors' decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. The Reorganized Debtors' cost of drilling, completing and operating wells is often uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical. Further, many factors may curtail, delay or cancel drilling activity, including the following:

- pressure or irregularities in geological formations;
- shortages of or delays in obtaining equipment and qualified personnel;
- equipment failures or accidents;
- adverse weather conditions;
- reductions in oil and natural gas prices;
- title problems;
- limitations in the demand for oil and natural gas;
- cost of services to drill, complete, operate, and work over wells; and

- changes in federal, state, and local regulatory and taxing regulations.

D. A Substantial Or Extended Decline In Oil and Natural Gas Prices May Have a Material Adverse Effect on the Reorganized Debtors' Business, Financial Condition, Results of Operations, Cash Flow and their Ability to Meet Their Obligations, Operating Cost Requirements, Capital Expenditure Requirements and Other Financial Commitments.

The price the Reorganized Debtors receive for their oil and natural gas production heavily influences their revenue, profitability, financial condition, cash flow, access to capital and future rate of growth. Oil and natural gas are commodities and, as a result, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and natural gas have been volatile. These markets will likely continue to be volatile in the future. The prices the Reorganized Debtors receive for their production, and the levels of their production, depend on numerous factors beyond their control.

E. Reserve Estimates Depend on Many Assumptions That May Prove to be Inaccurate. Any Material Inaccuracies in these Reserve Estimates or Underlying Assumptions Will Materially Affect the Quantities and Estimates Values of the Reorganized Debtors' Reserves.

The process of estimating oil and natural gas reserves is complex, requiring interpretations of available technical data and many assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of reserves.

Estimates of oil and natural gas reserves are inherently imprecise. The preparation of the Reorganized Debtors' reserve estimates requires projections of production rates and timing of development expenditures, analysis of available geological, geophysical, production and engineering data, and assumptions about oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. The extent, quality and reliability of this data can vary. Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, drilling and operating expenses and quantities of recoverable oil and natural gas reserves will vary from the estimates.

F. Claims

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

G. Inherent Uncertainty of Financial Projections

The Financial Projections included as Exhibits 7 and 8 for the Debtors cover the 2 years ending 2018. These Financial Projections are based upon numerous assumptions that are an integral part of the Financial Projections, including Confirmation and Consummation of the Plan in accordance with its terms, the anticipated future performance of the Reorganized Debtors, industry performance, general business and economic conditions, competition, adequate financing, absence of material contingent or unliquidated litigation or indemnity claims, and other matters, many of which are beyond the control of the Reorganized Debtors and some or all of which may not materialize. In addition, unanticipated events and circumstances occurring subsequent to the date of this Disclosure Statement may affect the actual financial results of the Reorganized Debtors' operations. These variations may be material and may adversely affect the ability of the Reorganized Debtors to pay the obligations owing to certain Holders of Claims entitled to Distributions under the Plan and other post-Effective Date indebtedness. Because the actual results achieved throughout the periods covered by the Financial Projections may vary from the projected results, the Financial Projections should not be relied upon as a guaranty, representation, or other assurance of the actual results that will occur.

**ARTICLE 16
SOLICITATION AND VOTING PROCEDURES**

A. Solicitation of Votes

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

Class 3 – J.O. Walker Jr. Family Limited Partnership Allowed Secured Claim
Class 4 – Allowed M&M Lien Claims
Class 5 – Allowed Unsecured Claims
Class 6 – Other Allowed Unsecured Claims
Class 7 – Intercompany Claims
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.

B. Voting Procedures

After carefully reviewing the Plan and this Disclosure Statement, and the exhibits thereto, and the detailed instructions accompanying your Ballot, Holders of Claims in Classes 2, 3, 4, 5, 6, 7, and 8 should indicate their acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot. Each such Holder should complete and sign his, her or its Ballot and return it in the envelope provided so that it is RECEIVED by the Voting Deadline (as defined below).

If you have any questions about the procedure for voting your Claim or Equity Interest with respect to the packet of materials that you have received, please contact the Debtors' Counsel (i) telephonically or (ii) in writing by (a) hand delivery, (b) overnight mail or (c) first class mail using the information below:

Michael G. Colvard
MARTIN & DROUGHT, P.C.
300 Convent Street, Suite 2500
San Antonio, Texas 78205
(210) 227-7591 Telephone
(210) 227-7924 Telecopier

C. VOTING DEADLINES

DEBTORS COUNSEL MUST RECEIVE ORIGINAL BALLOTS ON OR BEFORE 5:00 P.M., PREVAILING CENTRAL TIME, ON [], 2016 (THE "VOTING DEADLINE") AT THE APPLICABLE ADDRESS ABOVE. EXCEPT TO THE EXTENT ALLOWED BY THE BANKRUPTCY COURT, BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE ACCEPTED OR USED IN CONNECTION WITH THE DEBTORS' REQUEST FOR CONFIRMATION OF THE PLAN OR ANY MODIFICATION THEREOF. ON PRIOR AGREEMENT WITH A HOLDER AND IF AGREED BY THE DEBTORS IN THEIR SOLE DISCRETION, SUCH HOLDER MAY ALSO BE ENTITLED TO SUBMIT ITS BALLOT BY ELECTRONIC TRANSMISSION.

D. Amendment

The Debtors, with the consent of the Committee and JOWF, reserve the right to amend the Plan. Amendments to the Plan that do not materially and adversely affect the treatment of Claims and Equity Interests and are consistent with the terms of the Plan Support Term Sheet and Plan may be approved by the Bankruptcy Court at the Confirmation Hearing without the necessity of resoliciting votes. In the event resolicitation is required, the Debtors will furnish new solicitation packets that will include new Ballots to be used to vote to accept or reject the Plan, as needed.

E. Acceptance by Impaired Classes

An Impaired Class of Claims shall have accepted the 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 the Plan, and an Impaired Class of Equity Interests shall have accepted the 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 the Plan, in each case not counting the vote of any Holder designated under Section 1126(e) of the Bankruptcy Code.

F. 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 the Plan for purposes of (i) voting to accept or reject the Plan and (ii) determining whether such Class has accepted or rejected the Plan under Section 1129(a)(8) of the Bankruptcy Code.

G. Nonconsensual Confirmation

The Bankruptcy Court may confirm the 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.

Debtors 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.

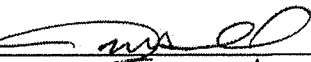
**ARTICLE 17
RECOMMENDATION AND CONCLUSION**

For all of the reasons set forth in this Amended Disclosure Statement, the Debtors believe that Confirmation and Consummation of the Amended Plan is preferable to all other alternatives discussed herein. Consequently, the Debtors, urge all Holders of Claims entitled to vote to accept the Amended Plan, and to timely complete and return their Ballots.

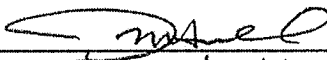
[Signature page follows]

Dated this 2nd day of November, 2016.

RICOCHET ENERGY, INC.

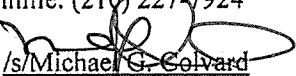
By: 
Name: Jerry L. Hamblin
Title: President/CEO

RICOCHET INTERESTS, LTD

By: 
Name: Jerry L. Hamblin
Title: MANAGING MEMBER OF RICOCHET MANAGEMENT, LLC
General Partner

Respectfully submitted,

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By: 
/s/Michael G. Colvard
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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 November 2, 2016.


/s/Michael G. Colvard
Michael G. Colvard