

Valuation Analysis

THE INFORMATION CONTAINED HEREIN IS NOT A PREDICTION OR GUARANTEE OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH A SALE OR OTHER MONETIZATION OF THE COMPANY'S ASSETS. THE INFORMATION IS PRESENTED SOLELY FOR THE PURPOSE OF PROVIDING ADEQUATE INFORMATION UNDER SECTION 1125 OF THE BANKRUPTCY CODE TO ENABLE THE HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OR SALE OF CLAIMS AGAINST THE DEBTORS OR ANY OF THEIR AFFILIATES.¹

Solely for the purposes of the Plan and the Disclosure Statement, Seaport Gordian Energy LLC ("SGE"), as investment banker to the Debtors, has estimated a range of asset values for the Reorganized Debtors' oil and gas assets located in South Texas and the Mid Continent on a going concern basis (the "Valuation Analysis"). The Valuation Analysis is based on reserve information, development schedules, and financial information provided by the Debtors' management, as well as the Financial Projections attached to the Disclosure Statement as **Exhibit B** (collectively with the reserve information, development schedules and financial information, the "Projections"), and information provided by other sources. The Valuation Analysis assumes that the Effective Date occurs on or about October 31, 2020.

Based on the Projections and other information described herein, SGE estimated that the potential range of the Reorganized Debtors' value implies a theoretical range of potential enterprise values of approximately \$12.3 million to \$21.2 million (the "Reorganized Debtors' Value"). In addition, Financial Projections show that management of the Reorganized Debtors project to have approximately \$0.1 million of cash on the assumed Effective Date (the "Emergence Cash"). Thus, Distributable Value - the sum of the estimated range of Reorganized Debtors' Value plus the amount of Emergence Cash - is approximately \$12.4 million to \$21.3 million, with a mid-point estimate of approximately \$16.8 million.

The valuation estimates set forth herein represent an asset valuation analysis of the Reorganized Debtors' operating business segment generally based on the application of customary valuation techniques, including risk-adjusted net asset value ("NAV") analysis, comparable public companies and precedent transactions. For purposes of the Valuation Analysis, SGE assumed that no material changes that would affect estimated value occur between the date of filing of the Disclosure Statement and the assumed Effective Date. SGE's Valuation Analysis does not constitute an opinion as to fairness from a financial point of view of the consideration to be received or paid under the Plan, of the terms and provisions of the Plan, or with respect to any other matters.

¹ All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Plan, which is attached to the Disclosure Statement as **Exhibit A**.

THE VALUATION ANALYSIS REFLECTS WORK PERFORMED BY SGE ON THE BASIS OF INFORMATION IN RESPECT OF THE OIL AND GAS ASSETS OF THE DEBTORS AVAILABLE TO SGE AS OF AUGUST 9, 2020. IT SHOULD BE UNDERSTOOD THAT, ALTHOUGH UPDATED INFORMATION FROM MANAGEMENT AS WELL AS SUBSEQUENT DEVELOPMENTS MAY AFFECT SGE'S CONCLUSIONS, SGE DOES NOT HAVE ANY OBLIGATION TO UPDATE, REVISE OR REAFFIRM ITS VALUATION ANALYSIS.

SGE DID NOT INDEPENDENTLY VERIFY THE PROJECTIONS, THE GENERAL AND ADMINISTRATIVE EXPENSE ALLOCATION OR OTHER INFORMATION THAT SGE USED IN THE VALUATION ANALYSIS, AND NO INDEPENDENT VALUATIONS OR APPRAISALS OF THE DEBTORS WERE SOUGHT OR OBTAINED IN CONNECTION THEREWITH. THE VALUATION ANALYSIS WAS DEVELOPED SOLELY FOR PURPOSES OF THE PLAN AND THE ANALYSIS OF POTENTIAL RELATIVE RECOVERIES TO CREDITORS THEREUNDER. THE VALUATION ANALYSIS REFLECTS THE APPLICATION OF VARIOUS VALUATION TECHNIQUES, DOES NOT PURPORT TO BE AN OPINION AND DOES NOT PURPORT TO REFLECT OR CONSTITUTE APPRAISALS, LIQUIDATION VALUES, OR ESTIMATES OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED OR ASSETS TO BE SOLD PURSUANT TO THE PLAN, WHICH MAY BE SIGNIFICANTLY DIFFERENT THAN THE AMOUNTS SET FORTH IN THE VALUATION ANALYSIS.

THE VALUE OF ASSETS OF AN OPERATING BUSINESS IS SUBJECT TO NUMEROUS UNCERTAINTIES AND CONTINGENCIES WHICH ARE DIFFICULT TO PREDICT AND WILL FLUCTUATE WITH CHANGES IN FACTORS AFFECTING THE FINANCIAL CONDITION AND PROSPECTS OF SUCH ASSETS OR BUSINESS. AS A RESULT, THE VALUATION ANALYSIS IS NOT NECESSARILY INDICATIVE OF ACTUAL OUTCOMES, WHICH MAY BE SIGNIFICANTLY MORE OR LESS FAVORABLE THAN THOSE SET FORTH HEREIN. BECAUSE SUCH ESTIMATES ARE INHERENTLY SUBJECT TO UNCERTAINTIES, NEITHER THE DEBTORS, SGE, NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THEIR ACCURACY. IN ADDITION, THE POTENTIAL VALUATION OF NEWLY ISSUED SECURITIES IS SUBJECT TO ADDITIONAL UNCERTAINTIES AND CONTINGENCIES, ALL OF WHICH ARE DIFFICULT TO PREDICT. ACTUAL MARKET PRICES OF SUCH SECURITIES AT ISSUANCE WILL DEPEND UPON, AMONG OTHER THINGS, PREVAILING INTEREST RATES, CONDITIONS IN THE FINANCIAL AND COMMODITY MARKETS, THE ANTICIPATED INITIAL SECURITIES HOLDINGS OF PREPETITION CREDITORS, SOME OF WHICH MAY PREFER TO LIQUIDATE THEIR INVESTMENT RATHER THAN HOLD IT ON A LONG-TERM BASIS, THE POTENTIALLY DILUTIVE IMPACT OF CERTAIN EVENTS, INCLUDING THE ISSUANCE OF EQUITY SECURITIES PURSUANT TO ANY MANAGEMENT INCENTIVE COMPENSATION PLAN, AND OTHER FACTORS WHICH GENERALLY INFLUENCE THE PRICES OF SECURITIES.

SGE assumed that the Projections were reasonably prepared in good faith and on a basis reflecting the Debtors' best estimates and judgments as to the future operating and financial performance of the Reorganized Debtors. The Valuation Analysis assumed that the actual performance of assets will correspond to the Projections in all material respects. If the business performs at levels below or above those set forth in the Projections, such performance may have a materially negative or positive impact, respectively, on the Valuation Analysis and estimated potential ranges of value therein.

In preparing the Valuation Analysis, SGE: (a) reviewed certain historical financial information of the Debtors for recent years and interim periods; (b) reviewed certain financial and operating data of the Debtors, including the Projections; (c) discussed the Debtors' operations and future prospects with the Debtors' senior management team and third-party advisors; (d) reviewed certain publicly available financial data for, and considered market comparables and precedent transactions that SGE deemed generally relevant in analyzing the value of the Reorganized Debtors; (e) considered certain economic and industry information that SGE deemed generally relevant to the operating businesses; and (f) conducted such other studies, analyses, inquiries and investigations as SGE deemed appropriate. SGE assumed and relied on the accuracy and completeness of all financial and other information furnished to it by the Debtors' management and other parties as well as publicly available information.

The Valuation Analysis does not constitute a recommendation to any holder of Allowed Claims or any other person as to how such person should vote or otherwise act with respect to the Plan. SGE has not been requested to and does not express any view as to the potential trading value of the Reorganized Debtors' securities on issuance or at any other time.

THE SUMMARY SET FORTH ABOVE DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE VALUATION ANALYSIS PERFORMED BY SGE. THE PREPARATION OF A VALUATION ANALYSIS INVOLVES VARIOUS DETERMINATIONS AS TO THE MOST APPROPRIATE AND RELEVANT METHODS OF FINANCIAL ANALYSIS AND THE APPLICATION OF THESE METHODS IN THE PARTICULAR CIRCUMSTANCES AND, THEREFORE, SUCH AN ANALYSIS IS NOT READILY SUITABLE TO SUMMARY DESCRIPTION. THE VALUATION ANALYSIS PERFORMED BY SGE IS NOT NECESSARILY INDICATIVE OF ACTUAL VALUES OR FUTURE RESULTS, WHICH MAY BE SIGNIFICANTLY MORE OR LESS FAVORABLE THAN THOSE DESCRIBED HEREIN.

SGE IS ACTING AS INVESTMENT BANKER TO THE DEBTORS, AND HAS NOT BEEN, WILL NOT BE RESPONSIBLE FOR AND WILL NOT PROVIDE ANY TAX, ACCOUNTING, ACTUARIAL, LEGAL OR OTHER SPECIALIST ADVICE.