

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

In re:	§
	§ Chapter 11
SHERIDAN HOLDING COMPANY I, LLC, <i>et al.</i> , ¹	§
	§ Case No. 20-31884 (DRJ)
	§
Debtors.	§ (Joint Administration Requested)
	§

PLAN OF ALLOCATION AND DISTRIBUTION

This Plan of Allocation and Distribution hereby instructs the Settlement Administrator on the manner and methodology in which the Net Settlement Amount² shall be allocated and distributed to the Settlement Class Members (the “Allocation Methodology”). The Net Settlement Amount will be allocated to each Class Well and then to each Settlement Class Member in each Class Well based on the factors and considerations set forth herein. The methodology set forth below is fair, reasonable, and adequate and in the best interest of the Settlement Class.

I. Allocation Methodology.

1. Defendants have provided or will provide data on the volume of gas produced by each Class Well on an Mcf basis for the Released Period and the last available

1 The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, include: Sheridan Holding Company I, LLC (7648); Sheridan Investment Partners I, LLC (8607); Sheridan Production Partners I, LLC (8094); Sheridan Production Partners I-A, L.P. (8100); Sheridan Production Partners I-B, L.P. (8104); Sheridan Production Partners I-M, L.P. (8106); and SPP I-B GP, LLC (8092). The location of the Debtors’ service address is: 1360 Post Oak Blvd., Suite 2500, Houston, Texas 77056.

2 Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Settlement Agreement.

revenue transaction report for each Class Well in their possession as of the Petition Date. From this data, the Class's expert and Settlement Class Counsel have aggregated the production of gas on an Mcf basis from each Class Well for the entire Released Period and compared that volume to the total volume of gas produced on an Mcf basis from all Class Wells for the entire Released Period to arrive at a percentage of volume produced by each Class Well during the Released Period. The Class's expert has then applied this percentage to the preliminary estimated Net Settlement Amount of \$2.8 million for allocation to each Class Well. The estimated Net Settlement Amount assumed \$2.2 million of \$5 million from the Settlement Proceeds will be used to pay court-approved Class Fees and Expenses; and \$94,000 of the Settlement Proceeds will be used to pay court-approved Administration Expenses. *See* ¶ 11, *infra*.

2. Utilizing this methodology, a proportionate share of the estimated Net Settlement Amount has been preliminarily allocated to each Class Well. Utilizing the last available revenue transaction report for each Class Well obtained from Defendants or, if necessary, relevant royalty owner information from successor third-party operators, the preliminarily allocated amount has been further allocated from the Class-Well-level to each royalty owner in each Class Well.

3. Distribution of the Net Settlement Amount to Settlement Class Members will be made only to the last royalty owners, as ascertained from (a) the last available revenue transaction report for each Class Well provided by Defendants to Settlement Class Counsel, (b) relevant royalty owner information for Class Wells provided by successor third-party

operators to Settlement Class Counsel for uses contemplated in the Settlement, or (c) publicly available data for each Class Well.

4. The Final Plan of Allocation will be based on (a) the last available revenue transaction report for each Class Well provided by Defendants, (b) relevant royalty owner information for Class Wells provided by successor third-party operators for uses contemplated in the Settlement, or (c) publicly available data for each Class Well, subject to the Class Member's fair inquiry and correction for good cause shown.

5. Settlement Class Counsel may seek an order from the Court requiring current successor third-party operators in Class Wells not operated by Defendants to distribute such funds to the appropriate royalty owners in the Class Well.

6. If a Class Well was plugged or shut-in during the Released Period, then the amount allocated to that Class Well shall be paid to the last royalty owners as ascertained from the last available revenue transaction report for the Class Well provided by Defendants to Settlement Class Counsel. If a Class Well was sold during the Class Period, then the amount allocated to the Class Well shall be paid to the last known royalty owners as may be ascertained from relevant royalty owner information provided by successor third-party operators to Settlement Class Counsel, publicly available data, or otherwise upon fair inquiry.

7. In order to administer this Plan of Allocation and Distribution, Settlement Class Counsel and the Class's expert will use royalty owner records produced in the Class Lawsuit and *Born*, provided to implement this Settlement, and, where necessary and to the

extent available, computer databases and public information to identify volumes of gas produced by Defendants and current mailing addresses for the Settlement Class Members.

8. The distribution described above is based upon the following assumptions: (a) that very few sales of royalty interests in Class Wells have occurred during the Released Period; (b) if sales did occur during the Released Period, the buyer was entitled to receive payment for all past claims covered by the Settlement; and (c) if royalty interests passed through inheritance, devise, intra-family or interfamily transfers, that it was the intent that the heir, devisee or transferee also receive payment for all past claims covered by the Settlement.

9. To the extent these assumptions are incorrect or a payee is not the proper party to receive payment, such Settlement Class Member who receives payment shall in turn make the correct payment to the proper party or parties entitled thereto or return the funds to the Settlement Administrator.

II. Time for Determination of Opt-Outs and Allocation and Distribution of Settlement Proceeds.

10. Within ten (10) business days after the Opt-Out Deadline, the Settlement Administrator shall determine whether members of the Settlement Class who have claims which, in the aggregate, exceed ten percent (10%) of the Settlement Proceeds, have elected to opt-out of the Settlement Class and will notify Settlement Class Counsel and Defendants' Counsel in writing regarding the results of that determination and simultaneously provide a list of the members of the Settlement Class who have opted out.

11. At least ten (10) business days before the Settlement Fairness Hearing, the Settlement Class Counsel, with the assistance of the Class's expert and Settlement Administrator, shall prepare a draft Summary Final Distribution Report that assumes the Court will award \$94,000.00 from the Settlement Proceeds in Administration Expenses and a combined forty-four percent (44%) of the remaining \$5,000,000 in Settlement Proceeds as Class Fees and Expenses. As stated in the Notice of Settlement, Settlement Class Counsel has requested that the Court (i) award Settlement Class Counsel an attorney's fee of up to 40% of the Settlement Proceeds, which would be up to \$2,000,000.00, (ii) award the Class Representatives a fee of up to 2% of the Settlement Proceeds, which would be up to \$100,000.00, (iii) award Settlement Class Counsel their actually-incurred litigation expenses in an amount not to exceed \$100,000.00, and (iv) authorize the payment of Administration Expenses to the extent they exceed \$94,000.00, which Defendants have paid as part of the Settlement Proceeds.

12. The draft Summary Final Distribution Report will set forth the amounts to be distributed from the estimated Net Settlement Amount to each Settlement Class Member. Class Counsel will seek approval of the Allocation Methodology used for the draft Summary Final Distribution Report at the Settlement Fairness Hearing. The same Allocation Methodology will be used for the Summary Final Distribution Report of the actual Net Settlement Amount to Settlement Class Members, which the Settlement Administrator will use to issue Distribution Checks after the Effective Date.

13. Defendants have previously provided or will provide the information upon which the distribution calculations will be based and will further provide last known addresses and tax identification numbers of Settlement Class Members currently available in Defendants' electronic databases, all of which shall be treated as Confidential Information.

14. With respect to Class Wells that Defendants no longer operate, Defendants understand that Settlement Class Counsel will seek authority from the Court to obtain relevant royalty owner information from successor third-party operators for uses contemplated in the Settlement. Defendants agree to not interfere with Settlement Class Counsel's efforts to obtain such information.

15. Neither Defendants nor Defendants' Counsel is responsible or liable for any aspect of the Allocation Methodology or the Plan of Allocation and Distribution implementing that methodology.

16. Within ten (10) days of the Effective Date or entry of the order approving Class Fees and Expenses, whichever is later, the Settlement Administrator will have determined the names, addresses, and final amounts of Distribution Checks for each Settlement Class Member in accordance with this Plan of Allocation and Distribution, taking into account the actual amounts awarded as Class Fees and Expenses and subject to confirmation by Class Counsel.

17. Within forty-five (45) days after the Effective Date, the Settlement Administrator shall issue and mail, or cause to be mailed, Distribution Checks to the

Settlement Class Members, enclosing a Form 1099, when applicable. If possible, without undue expense, the Distribution Checks shall include line entry detail on a well-by-well basis of the Class Member's distribution amount. With each payment, the Settlement Administrator must include the notice as specified in paragraph 1.7 of the Settlement Agreement.

18. Where a Settlement Class Member's distribution amount is \$5.00 or less, the Settlement Administrator will not issue or mail the Settlement Class Member's payment. Distribution of such small amounts would result in unnecessary Administration Expenses to the Settlement Class, exceeding the value of the Distribution Check. Instead these funds will be treated as Undistributed Proceeds under the Settlement Agreement.

19. Upon the Effective Date, the Class Representatives and each Settlement Class Member shall, by operation of the Judgment, have, fully, finally and forever released, relinquished, and discharged all Released Parties from all Released Claims, and shall be forever barred and estopped from asserting any of the Released Claims against any of the Released Parties.

20. The Settlement Class Counsel and Settlement Administrator will allocate the Monies Payable to Opt-Outs, which shall be the gross amount of the Settlement Proceeds allocable to the interest, which shall include the Class Fees and Expenses that would have been deducted therefrom had the putative member stayed in the Settlement Class, and the portion of the Net Settlement Amount allocated to the putative member of the Settlement Class for distribution had the putative member not opted out of the Settlement Class.

21. Within three (3) business days of the Effective Date, the Settlement Administrator shall return the Monies Payable to Opt-Outs to the Debtors or the Reorganized Debtors, as applicable. The Settlement Administrator shall make such payment by wire transfer in accordance with written payment instructions that Debtors or the Reorganized Debtors provide.

22. Within five (5) business days of either (i) the Effective Date, or (ii) entry of the order awarding Class Fees and Expenses, whichever is later, the Settlement Administrator shall pay Class Fees and Expenses from the Settlement Proceeds and as awarded by the Court. The Settlement Administrator shall make such payment by wire transfer in accordance with written payment instructions that Settlement Class Counsel provides.

23. Defendants shall have no responsibility or liability for allocating the amount paid among the Class Representatives, Settlement Class Counsel, Settlement Administrator, Class' expert, expert witnesses, vendors, or other persons.

24. In no event shall Defendants be required to pay Class Fees and Expenses out of their own funds, except as part of the Settlement Proceeds.

25. On the Distribution Date and in accordance with written payment instructions that the Debtors or the Reorganized Debtors provide, the Settlement Administrator shall wire transfer to the Reorganized Debtors the portion of the Net Settlement Amount attributable to the Suspense Accounts for the benefit of the respective Settlement Class Members.

26. Within ten (10) days of the mailing of the Distribution Checks, the Settlement Administrator shall provide to Settlement Class Counsel a check register in the form of an electronic spreadsheet, reflecting the actual distribution to each Settlement Class Member by owner number, name, address, and amount paid. Within thirty (30) days after the Settlement Administrator issues and mails the Distribution Checks, it shall file this check register with the Court under seal.

27. Within one hundred twenty (120) days following the date reflected on the Distribution Checks, the Settlement Administrator shall file a reconciliation of the distribution of the Settlement Proceeds, including the amount of any Undistributed Proceeds to be distributed as part of the Final Undistributed Fund.