

Part II Organizational Action *(continued)*

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ [See attached.](#)

18 Can any resulting loss be recognized? ▶ [See attached.](#)

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ [See attached.](#)

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶ /s/ Cameron W. George Date ▶ 08/13/2020

Print your name ▶ Cameron W. George Title ▶ Interim CEO, EVP and CFO

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.

Sanchez Energy Corporation
FEIN: 45-3090102
Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities

Disclaimer: The information contained in Form 8937 and related attachments does not constitute tax advice and does not purport to take into account any holder's specific circumstances. Holders are urged to consult their own tax advisors regarding the U.S. tax consequences of the transaction described herein and the impact to tax basis resulting from the transaction.

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Form 8937, Part I, Line 9 and 10

The Debt Obligations listed below were cancelled under the Plan (defined below) and certain lenders received newly issued common stock of the Company (defined below). Preferred and old common equity was cancelled.

Debt Obligations Cancelled	CUSIP Number
7.25% senior secured notes due February 2023 (144A)	79970YAE5
7.25% senior secured notes due February 2023 (REG-S)	U7967PAE7
7.75% senior unsecured notes due June 2021	79970YAB1
7.75% senior unsecured notes due June 2021 (144A)	79970YAA3
7.75% senior unsecured notes due June 2021 (REG-S)	U7967PAA5
7.75% senior unsecured notes due June 2021 (REG-S)	U7967PAB3
6.125% senior unsecured notes due January 2023	79970YAD7
6.125% senior unsecured notes due January 2023 (144A)	79970YAC9
6.125% senior unsecured notes due January 2023 (REG-S)	U7967PAD9
6.125% senior unsecured notes due January 2023 (REG-S)	U7967PAC1
DIP Claims (as defined in the Plan)	-

Equity Cancelled	CUSIP Number
Common Stock	79970Y105
6.500% Convertible Perpetual Preferred Stock, Series B	79970Y501
4.875% Convertible Perpetual Preferred Stock, Series A	799707 204

Form 8937, Part II, Line 14

On August 11, 2019, Sanchez Energy Corporation (OTC Pink: SNEC) ("Sanchez Energy" or the "Company") and ten (10) affiliated debtors (collectively, the "Debtors") each filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas (the "Court"). On April 30, 2020, the Court entered an order (the "Confirmation Order") confirming the Second Amended Joint Chapter 11 Plan of Reorganization of Sanchez Energy Corporation and its Debtor Affiliates (as may be amended or modified from time to time and including all exhibits and supplements thereto, the "Plan"). On June 30, 2020 (the "Effective Date"), the Plan became effective. Unless otherwise noted, capitalized terms herein have the same meaning as used in the Plan or in the Disclosure Statement for the Joint Chapter 11 Plan of Reorganization of Sanchez Energy Corporation and its Debtor Affiliates (as may be amended or modified from time to time and including all exhibits, thereto the "Disclosure Statement") filed with the Court on April 10, 2020. The descriptions of the provisions of the Plan contained herein are for illustrative purposes only, and are qualified in their entirety by the provisions of the Plan or Confirmation Order, as applicable. To the extent anything in herein is inconsistent with the Plan or Confirmation Order, the terms of the Plan or Confirmation Order, as applicable, shall control.

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On the Effective date and pursuant to the Plan, the Company implemented restructuring transactions (the “Restructuring Transactions”). Reorganized Sanchez Energy was thereafter known as Mesquite Energy, Inc. (“Mesquite” or the “Reorganized Debtors”). The following discusses the treatment of each of the following classes of Claims or Equity Interests pursuant to the Plan on the Effective Date. Parties are bound by their treatment under the Plan. At the time of this filing, the outcome of the Lien-Litigation and Post-Effective Date Equity Distribution is not resolved.

Class	Claim or Interest
3	DIP Claims
4	Secured Notes Claims
5	General Unsecured Claims
8	Existing SN Preferred Interests
9	Existing SN Common Interests

Class 3 – DIP Claims

- a. Classification: Class 3 consists of all DIP Claims (other than DIP Fee Claims) against the Debtors.
- b. Treatment: In full and final satisfaction of each Allowed DIP Claim (other than DIP Fee Claims), each Holder of an Allowed DIP Claim (other than DIP Fee Claims) was entitled to receive its Pro Rata share of:
 - i. the DIP Equity Distribution on the Effective Date; and
 - ii. 100% of the Post-Effective Date Equity Distribution less any amount of such Post-Effective Date Equity Distribution, if any, allocated to Holders of Allowed Claims in Classes 4 and/or 5 based upon the outcome of the Lien-Related Litigation, which allocation shall be consistent with, as applicable, the priorities set forth in sections 1129(b) and 726 of the Bankruptcy Code.

Class 4 – Secured Notes Claims

- a. Classification: Class 4 consists of all Secured Notes Claims against the Debtors.
- b. Treatment: In full and final satisfaction of each Allowed Secured Notes Claim (other than DIP Fee Claims), each Holder of an Allowed Secured Notes Claim (other than DIP Fee Claims) was entitled to receive its Pro Rata share of the Post-Effective Date Equity Distribution, if any, allocated to the Secured Notes Claims based upon the outcome of the Lien-Related Litigation, which allocation shall be consistent with, as applicable, the priorities set forth in sections 1129(b) and 726 of the Bankruptcy Code.

Class 5 – General Unsecured Claims

- a. Classification: Class 5 consists of all General Unsecured Claims against the Debtors.
- b. Treatment: In full and final satisfaction of each Allowed General Unsecured Claim, each Holder of an Allowed General Unsecured Claim was entitled to receive its Pro Rata share of the Post-Effective Date Equity Distribution, if any, allocated to the General Unsecured Claims based upon the outcome of the Lien-Related Litigation, which allocation shall be consistent with, as applicable, the priorities set forth in sections 1129(b) and 726 of the Bankruptcy Code.

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Class 8 — Existing SN Preferred Interests

- a. Classification: Class 8 consists of all Existing SN Preferred Interests.
- b. Treatment: On the Effective Date, each Existing SN Preferred Interest was cancelled, released and extinguished and is of no further force and effect. No Holder of any Existing SN Preferred Interest was entitled to any recovery or distribution under the Plan on account of such Interest.

Class 9 — Existing SN Common Interests

- a. Classification: Class 9 consists of all Existing SN Common Interests.
- b. Treatment: On the Effective Date, each Existing SN Common Interest was cancelled, released and extinguished and is of no further force and effect. No Holder of any Existing SN Common Interest was entitled to any recovery or distribution under the Plan on account of such Interest.

For more information regarding the Restructuring Transactions, please see the Plan and Disclosure Statement filed with the court, available at <https://cases.primeclerk.com/sanchezenergy/>.

Form 8937, Part II, Line 15 Effects on Basis

Certain U.S. Federal Income Tax Consequences to the U.S. Holders of Class 3 DIP Claims, Class 4 Secured Notes Claims, and Class 5 General Unsecured Claims.

As a result of the Restructuring Transaction, each Holder of a Class 3 DIP Claim, Class 4 Secured Notes Claim or Class 5 General Unsecured Claims exchanged its Claim for the right to receive consideration discussed on Line 14 of this Form 8937 and as set forth in the Plan in full and final satisfaction of their Claim. Holders of Claims are urged to consult their tax advisors regarding the tax consequences of the Restructuring Transactions.

The U.S. federal income tax consequences to a U.S. Holder of a Class 3 DIP Claim, Class 4 Secured Notes Claim or Class 5 General Unsecured Claims will depend, in part, on whether the Claim surrendered constitutes a “security” of a Debtor for U.S. federal income tax purposes. Neither the Tax Code nor the Treasury Regulations promulgated thereunder define the term “security.” Whether a debt instrument constitutes a “security” is determined based on all relevant facts and circumstances, but most authorities have held that the length of the term of a debt instrument at initial issuance is an important factor in determining whether such instrument is a security for U.S. federal income tax purposes. These authorities have indicated that a term of less than five years is evidence that the instrument is not a security, whereas a term of ten years or more is evidence that the instrument is a security. There are numerous other factors that could be taken into account in determining whether a debt instrument is a security, including the security for payment, the creditworthiness of the obligor, the subordination or lack thereof with respect to other creditors, the right to vote or otherwise participate in the management of the obligor, the convertibility of the instrument into an equity interest of the obligor, whether payments of interest are fixed, variable, or contingent, and whether such payments are made on a current basis or accrued. Due to the inherently factual nature of the determination, U.S. Holders are urged to consult their tax advisors regarding the status of the Class 3 DIP Claims, Class 4 Secured Notes Claims, and Class 5 General Unsecured Claims as “securities” for U.S. federal income tax purposes.

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Whether and to what extent the U.S. Holder of a Class 3 DIP Claim, Class 4 Secured Notes Claim or Class 5 General Unsecured Claim recognizes gain or loss as a result of the exchange of its Claim pursuant to the Plan depends, in part, on whether the exchange qualifies as a tax-free recapitalization pursuant to Section 368(a)(1)(E) of the Tax Code (a “Tax-Free Exchange”) or if, instead, the consideration under the Plan is treated as having been received in a fully taxable disposition. If Class 3 DIP Claims, Class 4 Secured Notes Claims, or Class 5 General Unsecured Claims qualify as a “security” of the Company, then the Holders of Class 3 DIP Claim, Class 4 Secured Notes Claims, and Class 5 General Unsecured Claims, as applicable, would be treated as receiving its distribution under the Plan in a “recapitalization”, and therefore a Tax-Free Exchange for U.S. federal income tax purposes. Subject to the rules regarding accrued but untaxed interest, a Holder of such Claim should recognize gain, but not loss, with the amount of recognized gain equal to the lesser of (i) the fair market value of property not entitled to be received tax-free under section 354 of the Tax Code; and (ii) the difference between (1) the fair market value of all consideration received pursuant to the Plan and (2) such Holder’s adjusted basis, if any, in such Allowed Claim. The Holder should generally obtain a tax basis, apart from amounts allocable to accrued but untaxed interest, in the consideration received equal to (a) the tax basis of the Allowed Claim surrendered by such Holder increased by (b) gain recognized (if any) by such Holder, allocated between the non-cash consideration received in accordance with the respective fair market values. Subject to the rules regarding accrued but untaxed interest, a U.S. Holder’s holding period for its interest in the consideration received should include the holding period for the exchanged Allowed Claim. The holding period for any other property received should begin on the day following the receipt of such property.

If the Class 3 DIP Claims, Class 4 Secured Notes Claims, or Class 5 General Unsecured Claims do not qualify as a “security” of the Debtors, then the Holders of the Class 3 DIP Claims, Class 4 Secured Notes Claims, or Class 5 General Unsecured Claims, as applicable, will be treated as receiving its distribution under the Plan in a taxable exchange under section 1001 of the Tax Code. Other than with respect to any amounts received that are attributable to accrued but untaxed interest, the Holder should recognize gain or loss in an amount equal to the difference, if any, between the fair market value of all the consideration received and the Holder’s adjusted tax basis in its Claim. The character of such gain as capital gain or ordinary income will be determined by a number of factors including the tax status of the Holder, the rules regarding “market discount” and accrued but untaxed interest, whether the Claim constitutes a capital asset in the hands of the Holder, and whether and to what extent the Holder had previously claimed a bad-debt deduction with respect to its Claim. If recognized gain or loss is capital in nature, it generally would be long-term capital gain if the Holder held its Claim for more than one year at the time of the exchange. The holding period for the property received should begin on the day following the Effective Date. Subject to the rules regarding accrued but untaxed interest, the Holder should obtain a tax basis in the property received equal to its fair market value.

Certain U.S. Federal Income Tax Consequences to the U.S. Holders of Class 8, Existing SN Preferred Equity, and Class 9, Existing SN Common Equity.

Holders of Existing SN Preferred Interests and Common Interests received no consideration as of the Emergence Date and therefore will not retain or obtain any tax basis in respect to such cancelled interests. Holders are urged to consult their tax advisors to determine the tax consequences of the Restructuring Transactions to them.

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Form 8937, Part II, Line 16 Calculation of Basis

If Class 3 DIP Claims, Class 4 Secured Notes Claims, or Class 5 General Unsecured Claims qualify as a “security” of the Company, then the Holders of Class 3 DIP Claim, Class 4 Secured Notes Claims, and Class 5 General Unsecured Claims, as applicable, should generally obtain a tax basis, apart from amounts allocable to accrued but untaxed interest, in the consideration received equal to (a) the tax basis of the Allowed Claim surrendered by such Holder increased by (b) gain recognized (if any) by such Holder, allocated between the non-cash consideration received in accordance with the respective fair market values. The aggregate tax basis allocated to the New Common Stock should then be divided by the number of shares to determine the tax basis of each share of New Common Stock.

If the Class 3 DIP Claims, Class 4 Secured Notes Claims, or Class 5 General Unsecured Claims do not qualify as a “security” of the Debtors, then the Holders of the Class 3 DIP Claims, Class 4 Secured Notes Claims, or Class 5 General Unsecured Claims, as applicable, should obtain a tax basis in the property received equal to its fair market value. The aggregate tax basis allocated to the New Common Stock should then be divided by the number of shares to determine the tax basis of each share of New Common Stock.

Holders of Class 8 Existing SN Preferred Interests and Class 9 Existing SN Common Interests received no consideration as of the Emergence Date and therefore will not retain or obtain any tax basis in respect to such cancelled interests.

Holders of Claims should consult their tax advisors to determine the tax consequences of the Restructuring Transactions to them.

Form 8937, Part II, Line 17 Applicable Internal Revenue Codes sections

Sections 165, 354, 356, 358, 1001, 1012

Form 8937, Part II, Line 18

The Restructuring Transaction may result in a recognizable loss to the extent the Class 3 DIP Claims, Class 4 Secured Notes Claims, or Class 5 General Unsecured Claims do not qualify as a “security” of the Debtors and the fair market value of all the consideration received is less than the Holder’s adjusted tax basis in its Claim.

A Holder that were the beneficial owner for U.S. tax purposes of Class 8 Existing SN Preferred Interests and Class 9 Existing SN Common Interests may be eligible for a worthless securities deduction pursuant to Section 165 of the Internal Revenue Code. Holders of such Existing Interests should consult their tax advisors with respect to their ability, if any, to take such a deduction.

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Form 8937, Part II, Line 19

The Restructuring Transaction occurred in the 2020 calendar year, however, at the time of this filing the Lien-Litigation and the Post-Effective Date Equity Distribution have yet to occur and/or be resolved. Adjustment to basis would be taken into account in the taxable year(s) of the applicable Holder that include the applicable distributions made to the Holder pursuant to the Plan.