

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶

IRC Sections: 354(a); 356(a); 358(a); 361(a); and 368(a)(1)(A).

18 Can any resulting loss be recognized? ▶ **No.** In an IRC section 368(a)(1)(A) reorganization, where stock is exchanged for stock, no gain or loss is recognized by shareholders. Where, however, additional consideration is received (e.g., cash), the shareholder gain is recognized to the extent of the additional consideration. IRC section 356(a). However, no shareholder loss is recognized on such a transaction. IRC section 356(c).

The corporation exchanging property for stock or securities in another corporation a party to the reorganization recognizes no gain or loss on the transfer of the property. IRC section 361(a).

Therefore, since Halcon exchanged Halcon common stock and cash in exchange for GeoResources common stock, the exchange qualifies for non-recognition treatment under IRC section 361(a) and no loss is recognizable.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ **The reportable tax year is 2012.**

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.

Sign Here

Signature ▶ *[Handwritten Signature]*
 Print your name ▶ **Mark Mize**

Date ▶ **8/29/12**
 Title ▶ **EVP, CFO and Treasurer**

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| Paid Preparer Use Only | Print/Type preparer's name | Preparer's signature | Date | Check <input type="checkbox"/> if self-employed | PTIN |
| | Martin Euson | <i>[Handwritten Signature]</i> | 8/29/2012 | | P01362598 |
| | Firm's name ▶ Ernst & Young LLP | | | Firm's EIN ▶ | |
| | Firm's address ▶ 1401 McKinney Street, Suite 1200, Houston, TX 77010 | | | Phone no. 713-750-1542 | |