

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re: : Chapter 11
: :
MAGNOLIA ENERGY L.P., *et al.*,¹ : Case No. 06-11069 (MFW)
: :
Debtors. : (Jointly Administered)
: :
Re: Docket Nos. 183 & 196

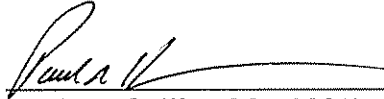
NOTICE OF ENTRY OF ORDER (I) AUTHORIZING THE DEBTORS INTO A REFINANCING TRANSACTION AND TO DISTRIBUTE PROCEEDS THEREOF, (II) DISMISSING THE CHAPTER 11 CASES, AND (III) GRANTING RELATED RELIEF

PLEASE TAKE NOTICE that, on February 1, 2007, the above-captioned and debtors-in-possession (the "Debtors") filed the *Motion of Debtors and Debtors in Possession for Entry of an Order (I) Authorizing the Debtors to Enter into a Refinancing Transaction and to Distribute Proceeds Thereof, (II) Dismissing the Chapter 11 Cases, and (III) Granting Related Relief* [Docket No. 183] (the "Motion to Dismiss") with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 3rd Floor, Wilmington, Delaware 19801 (the "Bankruptcy Court").

PLEASE TAKE FURTHER NOTICE that, on February 12, 2007, the Bankruptcy Court entered the *Order (I) Authorizing the Debtors to Enter into a Refinancing Transaction and to Distribute Proceeds Thereof, (II) Dismissing the Chapter 11 Cases, and (III) Granting Related Relief* [Docket No. 196] (the "Order"), a copy of which is attached hereto as Exhibit A.

¹ The Debtors are: Magnolia Energy L.P., Magnolia Generating Partners I LLC, Magnolia Generating Partners II LLC, and Magnolia Generating Partners III LLC

Dated: February 13, 2007
Wilmington, Delaware



Mark D. Collins (No. 2981)
Paul N. Heath (No. 3704)
RICHARDS, LAYTON & FINGER, P.A.
One Rodney Square
P.O. Box 551
Wilmington, Delaware 19899
Telephone: (302) 651-7700
Facsimile: (302) 651-7701

Attorneys for Debtors and
Debtors in Possession

Exhibit A

ORIGINAL

IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE

In re:

MAGNOLIA ENERGY L.P., *et al.*,¹

Debtors.

Chapter 11

Case No. 06-11069 (MFW)

(Jointly Administered)

Re: Docket No. 184

ORDER (I) AUTHORIZING THE DEBTORS TO ENTER INTO A REFINANCING TRANSACTION AND TO DISTRIBUTE PROCEEDS THEREOF, (II) DISMISSING THE CHAPTER 11 CASES, AND (III) GRANTING RELATED RELIEF

This matter coming before the Court on the Motion for entry of an order dismissing the chapter 11 cases upon the occurrence of certain conditions and granting related relief (the "Motion");² the Court having reviewed the Motion; the Court finding that it has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2) and venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; the Court having determined that notice of the Motion was, and is hereby deemed, appropriate and adequate under the circumstances and that no other or further notice of the Motion is required; the Court having determined that the legal and factual basis set forth in the Motion establish just cause for the relief granted herein and that all objections to the Motion have been withdrawn, overruled or resolved; the Court having determined that the relief sought in the Motion is in the best interests of the Debtors and their estates; and after due deliberation and sufficient cause appearing therefor,

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The Motion is granted to the extent set forth herein.

¹ The Debtors are: Magnolia Energy L.P., Magnolia Generating Partners I LLC, Magnolia Generating Partners II LLC, and Magnolia Generating Partners III LLC.

² Capitalized terms used but not defined herein shall have the meaning assigned to them in the Motion or in the Credit Agreements.

2. The Debtors are authorized and empowered to do and perform all acts necessary to implement the Refinance Transaction; provided, however, that the Court is not hereby approving the terms of such Refinance Transaction as the Closing will take place contemporaneous with the dismissal of these chapter 11 cases as provided in paragraph 6 below, and therefore such Court approval is not necessary for the Debtors to implement the Refinance Transaction at the Closing.

3. The Debtors are authorized and directed to pay, from the proceeds of the Refinance Transaction, all principal, interest, fees and expenses, as set forth in the Payoff Letter ^{substantially} _{in the form} annexed hereto as Exhibit "A", and upon such payment: (a) the Credit Agreements and other Financing Agreements will be terminated and of no further force and effect (except for such provisions that by their terms expressly survive termination of the Credit Agreements and the other Financing Agreements) and the Administrative Agent and the Lenders party to the Credit Agreements and other Financing Agreements shall have no further rights (except for those rights that by their terms expressly survive termination of the Credit Agreements and the other Financing Agreements) or obligations thereunder, (b) all outstanding indebtedness (including, without limitation, for principal, interest and fees) of Magnolia Energy under or relating to the Credit Agreements shall be deemed paid and satisfied in full and shall be irrevocably discharged, terminated and released, (c) the Borrower will be released and discharged from its obligations, including the Secured Obligations (as defined in the Security and Deposit Agreement) under the Credit Agreements and other Financing Agreements, in each case except for indemnification obligations owing to the Administrative Agent, Collateral Agent and the Lenders that by their terms expressly survive termination of the Credit Agreements and the other Financing Agreements, and (d) without limiting the foregoing, all security interests, liens and other

encumbrances granted to or obtained by the Collateral Agent for the benefit of the Lenders under all Security Documents shall forever and irrevocably be terminated, satisfied, discharged and released.

4. Simultaneous with receipt by the Administrative Agent of the Payoff Amount, the Collateral Agent is directed to execute and deliver to Magnolia Energy or its counsel any such lien releases (including UCC-3s), mortgage satisfactions, discharges of security interests and other similar discharge or release documents as are reasonably requested and necessary to release, as of record, the security interests and all notices of security interests and liens previously filed by the Collateral Agent with respect to the Secured Obligations, and Magnolia Energy is authorized to file all such UCC and other termination statements and related filings as may be necessary to effectuate the provisions of clause (c) of the immediately preceding paragraph.

5. At Closing, unless otherwise agreed in writing by the Debtors and any creditor, the Debtors are authorized and shall pay all amounts that may be owed in respect of prepetition claims as set forth in the Debtors' Schedules of Assets and Liabilities, without regard to whether such claims were listed as disputed, contingent or unliquidated, (excluding intercompany loans) ("Prepetition Claims") and expenses of administration of the Chapter 11 Cases (including fees and expenses incurred by counsel for the Committee and fees payable to the United States Trustee under 28 U.S.C. §1930) ("Administrative Claims"). At Closing, the Debtors shall establish and fund a claim reserve (the "Claim Reserve"), to be held by Debtors' counsel in escrow, in the amount of \$300,000. The Claim Reserve shall be available for satisfaction of any claims asserted by any claimant that were not ^{properly} set forth in the Debtors' Schedule of Assets and Liabilities and paid pursuant to the provisions of this paragraph 5, which

claims may be asserted by any creditor prior to 30 days after Closing (the "Claim Assertion Date"). The Claim Reserve shall remain in place through and including the Claim Assertion Date at which time the Claim Reserve shall be reduced to the lesser of the full amount of the Claim Reserve (i.e., \$300,000) or twice the amount of any disputed, asserted claim. The Claim Reserve shall be available to pay any such disputed, asserted claim pending resolution of same. All rights and remedies of the Debtors and any claimant, respectively, regarding any claims are hereby reserved.

6. Upon Closing, receipt of the Payoff Amount by the Administrative Agent, payment of the Prepetition Claims, payment of the Administrative Claims, funding of the Claim Reserve, and filing of the Certification, as defined below, the Chapter 11 Cases shall be simultaneously deemed dismissed pursuant to sections 105(a), 305(a)(1) and 1112(b) of the Bankruptcy Code without further hearing or order of this Court.

7. At Closing, the Debtors shall certify a statement in the form annexed hereto as Exhibit "B" that the conditions identified in paragraph 6 above have occurred or been satisfied (the "Certification"), and such Certification shall be filed immediately upon execution with the Clerk of the Court, and immediately thereafter the Clerk of the Court is authorized and directed to promptly take all appropriate actions to close the Chapter 11 Cases. The Certification shall be conclusive evidence that all necessary conditions have occurred or been satisfied and that the Chapter 11 Cases have been dismissed.

8. The Debtors shall, within three (3) business days of the entry of this Order, mail copies of a notice of the entry of this Order, together with a copy of this Order, to (i) the office of the United States Trustee for the District of Delaware; (ii) counsel to the Committee; (iii) counsel to the Administrative Agent and Collateral Agent; (iv) counsel to Mayflower

Energy, Inc. and Kelson; (v) those persons who have requested notice in these proceedings prior to the service of entry of this Order; and (vi) all creditors and other parties-in-interest reflected on the Debtors' schedules and statements of financial affairs, or their counsel (if known), and the Debtors shall certify service of this Order to the Court.

9. Unless otherwise provided herein, all orders entered in the Chapter 11 Cases shall survive the dismissal thereof.

10. Notwithstanding Rule 6004(g) of the Federal Rules of Bankruptcy Procedure or any other applicable Bankruptcy Rule, this Order shall take effect immediately upon entry on the docket of these Chapter 11 Cases.

11. The Court shall retain jurisdiction to enforce and interpret the terms or effect of this Order.

Dated: February 13, 2007
Wilmington, Delaware



United States Bankruptcy Judge

EXHIBIT A

DRAFT

February __, 2007

Magnolia Energy, LP
35 Corporate Drive
Burlington, MA 01803
Attention: Michael Chapman

Magnolia Generating Partners I LLC
Magnolia Generating Partners II LLC
Magnolia Generating Partners III LLC
35 Corporate Drive
Burlington, MA 01803
Attention: Michael Chapman

Ladies and Gentlemen:

Reference is made to that certain (i) Amended and Restated Credit Agreement (as amended to date, the "Amended Credit Agreement") dated as of December 12, 2003 among Magnolia Energy L.P. (the "Borrower"), the lenders from time to time party thereto, the joint lead arrangers and the LC Bank specified therein, Calyon New York Branch, as Facility A Administrative Agent, and Deutsche Bank Trust Company Americas, as Collateral Agent; and (ii) the Facility B Credit Agreement referred to in the Amended Credit Agreement. All capitalized terms used but not defined in this letter have the meanings given to them in the Amended Credit Agreement or in the Facility B Credit Agreement, as the context requires; in addition, the term "Credit Agreements" refers, collectively, to the Amended Credit Agreement and the Facility B Credit Agreement, and the term "Administrative Agents" refers, collectively, to the Facility A Administrative Agent and the Facility B Administrative Agent.

On September 29, 2006 (the "Petition Date") the Borrower, Magnolia Generating Partners I LLC, Magnolia Generating Partners II LLC, and Magnolia Generating Partners III LLC (collectively, the "Debtors") filed voluntary petitions for relief under chapter 11 of the U.S. Bankruptcy Code (the "Case") with the U.S. Bankruptcy Court for the District of Delaware (the "Court").

The Debtors have advised us (x) that they have jointly filed a motion with the Court seeking to dismiss the Case and (ii) in connection with such dismissal, that they intend to repay the total indebtedness, including interest, fees, expenses and other obligations owed under the Credit Agreements and cause all letters of credit issued under the Credit Agreements to be cancelled and returned to the LC Bank or to provide back to back letters of credit for the benefit of the LC Bank in form and substance, and issued by a commercial bank reasonably satisfactory to the LC Bank with respect thereto.

The total indebtedness, including interest, fees and expenses, due from the Borrower under the Credit Agreements (excluding fees and expenses of legal counsel and other professionals to the Administrative Agents) is equal to \$426,533,288.87 if paid by 3:00 p.m. Eastern time on March 9, 2007 (as more specifically set out in Annex A hereto), and, if paid by 3:00 p.m. Eastern time

on any later date, plus additional interest and fees in the amount of \$143,446.00 per day for each day after March 9, 2007, to and including the date (the "Payoff Date") of such payment (the applicable amount, as the same may be adjusted in accordance with following sentence, being the "Payoff Amount") plus fees and expenses of legal counsel and other professionals to the Administrative Agents (the "Professional Fees") in an amount which we will invoice to you the day prior to the Payoff Date. The Payoff Amount provided herein assumes (i) that all letters of credit issued and outstanding under the Credit Agreement will remain outstanding until March 9, 2007 at which time they will be cancelled and returned to the LC Bank or back to back letters of credit for the benefit of the LC Bank in form and substance, and issued by a commercial bank reasonably satisfactory to the LC Bank will be put in place with respect thereto and (ii) there will be no change in the floating rate indices used in calculating interest on the indebtedness under and in accordance with the Credit Agreements from those in effect on the date hereof. If either of the foregoing assumptions are incorrect, the Payoff Amount shall be adjusted accordingly. Payment received by the Administrative Agents on any day after 3:00 p.m. Eastern time on such day shall be considered received as of the next Business Day.

The Payoff Amount will be paid in same day funds by a wire transfer to:

[to be supplied]

The Administrative Agents and the Collateral Agent, each on behalf of itself and the Lenders, hereby acknowledges and agrees that effective upon the Administrative Agents' receipt of (i) the Payoff Amount and the Professional Fees, in immediately available funds, and (ii) your signed acknowledgement to this letter, automatically and without further action of any person: (a) the Credit Agreements and other Financing Agreements will be terminated and of no further force and effect (except for such provisions that by their terms expressly survive termination of the Credit Agreements and the other Financing Agreements) and the Administrative Agents, and the Lenders party to the Credit Agreements and other Financing Agreements shall have no further rights (except for those rights that by their terms expressly survive termination of the Credit Agreements and the other Financing Agreements) or obligations thereunder, (b) all outstanding indebtedness (including, without limitation, for principal, interest and fees) of the Borrower under or relating to the Credit Agreements shall be paid and satisfied in full and shall be irrevocably discharged, terminated and released, (c) the Borrower and the other Debtors will be released and discharged from its obligations, including the Secured Obligations (as defined in the Security Agreement) under the Credit Agreements and other Financing Agreements, in each case except for indemnification obligations owing to the Administrative Agents, Collateral Agent and the Lenders that by their terms expressly survive termination of the Credit Agreements and the other Financing Agreements, and (d) without limiting the foregoing, all security interests, liens and other encumbrances granted to the Collateral Agent for the benefit of the Lenders under all Security Documents shall forever and irrevocably be terminated, satisfied, discharged and released.

At the expense of the Borrower, the Collateral Agent will promptly execute and deliver to the Borrower or its legal counsel any such lien releases (including UCC-3s), mortgage satisfactions, discharges of security interests and other similar discharge or release documents as are reasonably requested and necessary to release, as of record, the security interests and all notices of security interests and liens previously filed by the Collateral Agent with respect to the Secured

Obligations. Concurrently with the receipt of the Payoff Amount, the Collateral Agent will return any stock or equity certificates, promissory notes, endorsements and any other collateral in its possession and return all Support Letters of Credit with instructions to the issuing bank for immediate cancellation. Upon the satisfaction of the conditions set forth in clauses (i) and (ii) of the immediately preceding paragraph, the Collateral Agent hereby authorizes the Borrower to file all such UCC and other termination statements and related filings as may be necessary to effectuate the provisions of clause (c) of the immediately preceding paragraph.

By its execution and acknowledgment hereof, each Debtor acknowledges and agrees that (a) the Collateral Agent reserves all of its rights with respect to any automated clearinghouse transfer ("ACH") and any check and other instrument or payment item received by the Collateral Agent from the Borrower or any of the Borrower's account debtors prior to full payment of the Payoff Amount and Professional Fees as contemplated hereby (such checks, instruments or other payment items being collectively called "Checks"); (b) the Collateral Agent has credited to the Project Accounts the amount of all such ACH transfers and the face amount of all such Checks, but the Collateral Agent may not yet have received full and final credit or payment therefor; and (c) the Borrower shall reimburse and pay to the Collateral Agent, promptly after the Collateral Agent's demand therefor made at any time within 60 days after the date hereof, in immediately available funds, the amount of any ACH transfer and the full face amount of any Check that is hereafter dishonored or returned to the Collateral Agent or remains unpaid for any reason plus any bank charges and all other reasonable costs incurred by the Collateral Agent that arise as a result of any such dishonor or return.

Each of the Debtors acknowledges that the Payoff Amount and Professional Fees as provided herein are due and owing pursuant to the Financing Agreements. If, for any reason, any of the Payoff Amount or any other amounts applied by the Administrative Agents and the Lenders to payment of the stated indebtedness under the Financing Agreements is voided or rescinded or must otherwise be returned by any Administrative Agent, Collateral Agent or any Lender as a result of any Debtor's insolvency, bankruptcy (including, without limitation, the Case) or otherwise, the Debtors acknowledge and agree that their obligations and liabilities under the Financing Agreements shall be reinstated to the extent of such amount so voided, rescinded or refunded.

By its signature below, each Debtor (a) confirms its consent to the foregoing, (b) upon Administrative Agents' receipt of the Payoff Amount and the Professional Fees, acknowledges that the Administrative Agents, Collateral Agent, LC Bank and the Lenders have no further obligations or liabilities to the Borrower or any other Debtor under the Financing Agreements upon the Agents' receipt of the Payoff Amount and Professional Fees as provided herein, except for releasing and returning all Collateral in accordance with the terms of this letter agreement, and (c) upon Administrative Agents' receipt of the Payoff Amount and the Professional Fees, releases each Administrative Agent, Collateral Agent, LC Bank and each Lender, and their respective directors, officers, employees, affiliates, representatives, attorneys, and agents, from any and all claims, demands, debts, liabilities, actions, and causes of action of every kind and character based upon, relating to, or arising out of the Transaction Documents and related transactions in any way. Upon receipt of the Payoff Amount and the Professional Fees as provided herein, each Administrative Agent, Collateral Agent, LC Bank and each Lender shall

release each Debtor and its respective directors, officers, employees, affiliates, representatives, attorneys, and agents, from any and all claims, demands, debts, liabilities, actions, and causes of action of every kind and character based upon, relating to, or arising out of the Transaction Documents and related transactions in any way, except for any such claims, debts, liabilities and causes of action arising from or related to any indemnification obligations owing to the Administrative Agents, Collateral Agent or any Lender that by their terms expressly survive termination of the Credit Agreements and the other Financing Agreements. Each of the parties hereto intend the foregoing releases to cover, encompass, release, and extinguish, among other things, all claims and matters that might otherwise be reserved by applicable law.

[The remainder of this page is intentionally left blank]

This agreement (a) shall be governed by and construed and enforced in accordance with the laws of the State of New York, without reference to principles of conflicts of law, (b) may be executed in one or more counterparts, each of which shall be an original and all of which, taken together, shall constitute one and the same instrument, (c) sets forth the entire agreement among the parties relating to the subject matter pertaining hereto, and no term or provision hereof may be amended, changed, waived, discharged or terminated orally or otherwise, except in writing signed by each such party, and (d) shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

Sincerely,

Calyon New York Branch, in its capacity as
Administrative Agents under the Credit Agreements

By: _____
Name:
Title:

Deutsche Bank Trust Company Americas, as
Collateral Agent

By: _____
Name:
Title:

Acknowledged and Agreed
this _____ day of February, 2007

MAGNOLIA ENERGY LP

By: _____
Name:
Title:

Acknowledged and Agreed
this _____ day of February, 2007

MAGNOLIA GENERATING PARTNERS I LLC

By: _____
Name:
Title:

Acknowledged and Agreed
this _____ day of February, 2007

MAGNOLIA GENERATING PARTNERS II LLC

By: _____

Name:

Title:

Acknowledged and Agreed
this _____ day of February, 2007

MAGNOLIA GENERATING PARTNERS III LLC

By: _____

Name:

Title:

Annex A

See attached

MANGOLIA ENERGY, L.P. - INTEREST & FEE SCHEDULE	
1 Term Loan A	377,404,172.68
2 Term Loan B	23,854,211.87
3 Project Loans of Credit	2,452,523.20
Facility	377,404,172.68
Original Principal	377,404,172.68
Accounting Balance (Principal + Interest)	377,404,172.68

Facility	Tranche	Tranche Type	Depth	End	Interest Rate	Spread	Default	Fee	Pass
1A	1A	20% - Cash	12/31/2008	3/4/2007	6.200%	2.25%	2.00%	12.500%	345
1B	1B	20% - Cash	12/31/2008	3/4/2007	6.200%	2.25%	2.00%	12.500%	345
1C	1C	20% - Cash	12/31/2008	3/4/2007	6.200%	2.25%	2.00%	12.500%	345
2A	2A	20% - Cash	12/31/2008	3/4/2007	6.200%	2.25%	2.00%	12.500%	345
2B	2B	20% - Cash	12/31/2008	3/4/2007	6.200%	2.25%	2.00%	12.500%	345
2C	2C	20% - Cash	12/31/2008	3/4/2007	6.200%	2.25%	2.00%	12.500%	345
3A	3A	20% - Cash	12/31/2008	3/4/2007	6.200%	2.25%	2.00%	12.500%	345
3B	3B	20% - Cash	12/31/2008	3/4/2007	6.200%	2.25%	2.00%	12.500%	345
3C	3C	20% - Cash	12/31/2008	3/4/2007	6.200%	2.25%	2.00%	12.500%	345

MANGOLIA ENERGY, L.P. - INTEREST & FEE SCHEDULE	
3 Term Loan A	377,404,172.68
3 Term Loan B	23,854,211.87
3 Project Loans of Credit	2,452,523.20
Facility	377,404,172.68
Original Principal	377,404,172.68
Accounting Balance (Principal + Interest)	377,404,172.68

* Note: (i) Interest schedule is subject to change in price table; (ii) table does not include anti-ratchet swap leverage of \$9.85 million, which is subject to further discussion and agreement of the parties; and (iii) upon completion of the Project Loans of Credit or provision of a "back-to-back" letter of credit, item 3 above will be reduced by \$2.4 million.

EXHIBIT B

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:

MAGNOLIA ENERGY L.P., *et al.*,¹
Debtors.

Chapter 11

Case No. 06-11069 (MFW)

(Jointly Administered)

Re: Docket No. 184

**CERTIFICATION OF THE OCCURRENCE OF CONDITIONS
TO DISMISSAL OF THE CHAPTER 11 CASES**

The above-captioned debtors (the "Debtors") hereby certify, in accordance with paragraph 7 of the Order (I) Authorizing the Debtors to Enter Into a Refinancing Transaction and to Distribute Proceeds Thereof, (II) Dismissing the Chapter 11 Cases, and (III) Granting Related Relief, dated February __, 2007 (the "Order"), that the conditions to dismissal set forth in paragraph 6 of the Order have occurred or been satisfied.

Dated: March __, 2007
Wilmington, Delaware

Respectfully Submitted,

Mark D. Collins (No. 2981)
Paul N. Heath (No. 3704)
RICHARDS, LAYTON, & FINGER, P.A.
One Rodney Square
920 North King Street
Wilmington, Delaware 19801
Tel: (302) 651-7700
Fax: (302) 651-7701

Counsel to the Debtors

¹ The Debtors are: Magnolia Energy L.P., Magnolia Generating Partners I LLC, Magnolia Generating Partners II LLC, and Magnolia Generating Partners III LLC