



**GAIL Global (USA) Inc.
and Subsidiary**

Consolidated Financial Statements

December 31, 2014



GAIL Global (USA) Inc. and Subsidiary

December 31, 2014

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Independent Auditors' Report

To the Board of Directors and Stockholder of
GAIL Global (USA) Inc. and Subsidiary

We have audited the accompanying consolidated financial statements of GAIL Global (USA) Inc. (a Texas corporation) and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in stockholder's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GAIL Global (USA) Inc. and Subsidiary as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated fixed assets rollforward as of December 31, 2014 and 2013 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Pannell Kerr Forster of Texas, P.C.

May 4, 2015



GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Consolidated Balance Sheets

	December 31,	
	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 4,110,808	\$ 3,639,976
Accounts receivable - oil and natural gas	2,460,298	4,535,907
Accounts receivable - other	45,718	34,225
Accounts receivable - Parent	292,940	-
Income tax receivable	785,039	-
Prepaid expenses	27,596	25,425
Total current assets	<u>7,722,399</u>	<u>8,235,533</u>
Oil and natural gas properties, successful effort method		
Proved property costs		
Leasehold costs	54,844,953	52,209,689
Drilling costs	57,104,806	48,661,443
Completion costs	94,007,521	78,105,348
Production equipment and facilities	10,734,097	7,385,420
Asset retirement obligation asset	631,953	591,409
Capitalized interest	2,557,041	2,192,119
Wells in progress costs		
Drilling costs	2,086,571	4,479,570
Completion costs	-	1,327,774
Production equipment and facilities	-	925
Unproved leasehold costs	112,313	112,313
	<u>222,079,255</u>	<u>195,066,010</u>
Office equipment	1,914	1,914
Accumulated depletion, depreciation and amortization	<u>(63,696,710)</u>	<u>(37,282,873)</u>
	<u>158,384,459</u>	<u>157,785,051</u>
Deferred loan costs, net	<u>119,584</u>	<u>-</u>
Total assets	<u>\$ 166,226,442</u>	<u>\$ 166,020,584</u>

See accompanying notes to consolidated financial statements.

	December 31,	
	<u>2014</u>	<u>2013</u>
Liabilities and Stockholder's Equity		
Current liabilities		
Accounts payable	\$ 12,919,059	\$ 19,050,299
Accrued liabilities	115,891	137,286
Line of credit	<u>89,000,000</u>	<u>99,000,000</u>
Total current liabilities	<u>102,034,950</u>	<u>118,187,585</u>
Deferred tax liability, net	8,519,151	3,812,000
Asset retirement obligation	<u>681,519</u>	<u>619,564</u>
Total liabilities	<u>111,235,620</u>	<u>122,619,149</u>
Commitments and contingencies	-	-
Stockholder's equity		
Common stock, \$1 par value; 50,000,000 shares authorized		
36,000,000 shares issued and outstanding	36,000,000	36,000,000
Retained earnings	<u>18,990,822</u>	<u>7,401,435</u>
Total stockholder's equity	<u>54,990,822</u>	<u>43,401,435</u>
Total liabilities and stockholder's equity	<u>\$ 166,226,442</u>	<u>\$ 166,020,584</u>



GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Consolidated Statements of Operations

	Year Ended December 31,	
	2014	2013
Oil and natural gas sales	\$ 55,610,141	\$ 38,028,439
Operating expenses		
Lease operating	6,582,331	3,044,602
Expired leases and abandonment	-	1,891,812
Production taxes	2,597,789	1,754,629
Marketing and distribution	1,172,064	550,910
Depletion, depreciation and amortization	26,413,837	22,384,842
General and administrative	719,041	878,055
Accretion expense	21,411	21,633
Total operating expenses	<u>37,506,473</u>	<u>30,526,483</u>
Income from operations	18,103,668	7,501,956
Other income (expense)		
Interest income	12,448	5,969
Interest expense	(887,351)	(1,329,426)
Interest expense capitalized	364,922	668,277
Other income	179,965	-
Total other expense, net	<u>(330,016)</u>	<u>(655,180)</u>
Income before income tax expense	17,773,652	6,846,776
Income tax expense		
Current	1,477,114	-
Deferred	4,707,151	2,327,334
Total income tax expense	<u>6,184,265</u>	<u>2,327,334</u>
Net income	<u>\$ 11,589,387</u>	<u>\$ 4,519,442</u>

See accompanying notes to consolidated financial statements.



GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

**Consolidated Statements of Changes
in Stockholder's Equity**

For the Years Ended December 31, 2014 and 2013

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, December 31, 2012	\$ 36,000,000	\$ 2,881,993	\$ 38,881,993
Net income	-	4,519,442	4,519,442
Balance, December 31, 2013	36,000,000	7,401,435	43,401,435
Net income	-	11,589,387	11,589,387
Balance, December 31, 2014	\$ 36,000,000	\$ 18,990,822	\$ 54,990,822

See accompanying notes to consolidated financial statements.



GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2014	2013
Cash flows from operating activities		
Net income	\$ 11,589,387	\$ 4,519,442
Adjustments to reconcile net income to net cash provided by operating activities		
Depletion, depreciation and amortization	26,413,837	22,384,842
Amortization of deferred loan costs	4,416	115,414
Deferred income taxes	4,707,151	2,327,334
Accretion expense	21,411	21,633
Expired leases and abandonment expense	-	1,891,812
Changes in operating assets and liabilities		
Accounts receivable	2,064,116	(2,212,045)
Accounts receivable - Parent	(292,940)	-
Income tax receivable	(785,039)	-
Prepaid expenses	(2,171)	(6,885)
Accounts payable	999,127	900,643
Accrued liabilities	(21,395)	(85,824)
Net cash provided by operating activities	<u>44,697,900</u>	<u>29,856,366</u>
Cash flows from investing activities		
Additions to oil and natural gas properties	(26,972,701)	(54,075,003)
Change in capital expenditure accrual	(7,130,367)	11,367,225
Net cash used in investing activities	<u>(34,103,068)</u>	<u>(42,707,778)</u>
Cash flows from financing activities		
Proceeds from borrowing on line of credit	93,000,000	112,000,000
Repayments of line of credit	(103,000,000)	(98,000,000)
Deferred loan costs	(124,000)	-
Net cash provided by (used in) financing activities	<u>(10,124,000)</u>	<u>14,000,000</u>
Net increase in cash and cash equivalents	470,832	1,148,588
Cash and cash equivalents - beginning of year	<u>3,639,976</u>	<u>2,491,388</u>
Cash and cash equivalents - end of year	<u>\$ 4,110,808</u>	<u>\$ 3,639,976</u>
Non-cash investing and financing activities		
Capitalized asset retirement obligation costs	<u>\$ 40,544</u>	<u>\$ 414,627</u>
Supplemental cash flow information		
Cash paid for interest, net of capitalized interest	<u>\$ 628,660</u>	<u>\$ 631,559</u>
Cash paid for taxes	<u>\$ 2,173,142</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.



GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 1 - NATURE OF OPERATIONS

GAIL Global (USA) Inc. ("GGUI") and Subsidiary (collectively, the "Company") was formed on September 26, 2011 as a Texas Corporation. The Company is a wholly-owned subsidiary of GAIL (India) Limited (the "Parent"). The Company is a United States petroleum exploration and production company engaged in the acquisition, exploration, and development of properties for the production of crude oil and natural gas from underground reservoirs.

On September 28, 2011, the Company entered into a purchase and participation agreement (the "Agreement") with Carrizo Oil & Gas, Inc. and two of its affiliates (collectively "Carrizo") and paid \$63,650,000 to acquire a 20% working interest in oil and natural gas properties located in the Eagle Ford Shale area in Dimmit, Frio, LaSalle and McMullen Counties of the State of Texas. The Agreement also requires the Company to pay up to an amount not to exceed \$31,350,000 (the "carry"), representing 50% of Carrizo's share of all development costs (as defined in the Agreement), through June 30, 2013. The Company fulfilled its carry obligation with Carrizo at December 31, 2012. The Agreement also provides the Company the right of first refusal to acquire a 20% working interest in future acquisitions of oil and natural gas leases in the Eagle Ford Shale area made by Carrizo within a defined area of mutual interest (as defined in the Agreement).

During 2013, the Company's Board of Directors approved the formation of a wholly-owned subsidiary to enter into contractual agreements to secure capacity rights in a certain liquefied natural gas ("LNG") liquefaction terminal and related pipelines, to purchase and deliver natural gas to the terminal, and to perform any other activities that may be required in the sale of LNG. On March 28, 2013, Gail Global (USA) LNG LLC ("GGULL") was formed as a Delaware limited liability company.

In April 2013, GGULL entered into a terminal service agreement for 2.3 million metric ton per annum of capacity for a term of approximately 20 years, commencing on the in-service date of the LNG liquefaction terminal, which is expected to be in 2017.

In November 2014, GGULL entered into a gas sale and purchase and capacity agreement for up to 430,000 dekatherm per day of natural gas for a term of approximately 20 years, commencing on the in-service date of the LNG liquefaction terminal, which is expected to be in 2017. This agreement is subject to certain performance commitments by the Company that are subject to default provision.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of GGUI and GGULL. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less from the date of purchase.



GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Oil and Natural Gas Properties

The Company uses the successful efforts method of accounting for oil and natural gas producing activities. Costs to acquire mineral interests in oil and natural gas properties, to drill and equip exploratory wells that find proved reserves, to drill and equip development wells, and related asset retirement costs, are capitalized. With respect to amounts paid by the Company for its carry obligation, they are recorded to oil and natural gas properties in cost categories incurred as tangible and intangible drilling costs and completion costs and production equipment and facilities. Additionally, interest costs are capitalized to oil and natural gas properties during the period that unevaluated leasehold costs and costs of wells in progress are undergoing development and preparation for their intended use until reserves have been identified. Interest cost totaling \$364,922 and \$668,277 were capitalized for the years ended December 31, 2014 and 2013, respectively. Costs to drill exploratory wells that do not find proved reserves are expensed when it is determined that the wells are uneconomical and will not be completed. Geological and geophysical costs and costs of carrying and retaining unproved properties are expensed when incurred.

Capitalized costs of producing oil and natural gas properties, after considering estimated residual salvage values, are depreciated and depleted on a field level (common reservoir) using the unit-of-production method using proved producing oil and natural gas reserves. Unproved property costs, costs of wells in progress and related capitalized interest costs are excluded from the base subject to depletion until the related costs are considered developed or until proved reserves are found. Oil and natural gas leasehold costs are depleted using the unit-of-production method based on total proved oil and natural gas reserves.

Upon sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and the resulting gain or loss is recognized in the statement of operations. On the retirement or sale of a partial unit of proved property, the cost and related accumulated depreciation, depletion, and amortization apportioned to the interest retired or sold are eliminated from the property accounts, and the resulting gain or loss is recognized in the statement of operations.

Upon sale of an entire interest in an unproved property, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Proved oil and natural gas properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, which is generally performed at the field level. Assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of the cash flows of other groups of assets. The Company estimates the future undiscounted cash flows of the affected properties to judge the recoverability of carrying amounts. If the net costs is in excess of the undiscounted future net cash flows then the fair value is determined using the discounted future net cash flows as the new carrying value with any excess net cost recorded as an impairment with a corresponding amount recorded to accumulated depletion, depreciation and amortization. At December 31, 2014 and 2013, no impairment of proved oil and natural gas properties is required.



GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Oil and Natural Gas Properties (Continued)

Unproved oil and natural gas properties are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance. At December 31, 2014 and 2013, no impairment of unproved oil and natural gas properties is required.

Deferred Loan Costs

Deferred loan costs are amortized into interest expense using the straight-line method over the terms of the related debt agreement.

Asset Retirement Obligation

The Company records an asset retirement obligation for the abandonment of oil and natural gas producing properties. The asset retirement obligation is recorded at its estimated fair value on the date that the obligation is incurred and accretion expense is recognized over time as the discounted liability is accreted to its expected settlement value. Fair value is measured using expected future cash outflows which consider an estimate of the cost to plug and abandon wells (excluding salvage), future inflation rates and is discounted at the Company's credit-adjusted risk-free interest rate.

The fair value of the estimated asset retirement cost is capitalized as part of the carrying amount of the applicable proved oil and natural gas property and depleted using the unit-of-production method. Periodically the asset retirement obligation is re-measured to determine if a revision to the estimate is necessary with any revisions being recorded as an adjustment to oil and natural gas property cost.

Revenue Recognition and Natural Gas Imbalances

Revenues from the sale of crude oil and natural gas production are recognized when oil and natural gas is sold at a fixed and determinable price, delivery has occurred, title has transferred and collectability is reasonably assured, net of royalties. An accrual is recorded at each reporting period by estimating the oil and natural gas volumes produced and delivered, net of royalties, and corresponding oil and natural gas prices for periods when actual production information is not available. Crude oil that remains within the field tanks, natural gas that remains in a pipeline and natural gas liquids that remain within a tank that is not sold at each reporting period is considered not produced. The Company follows the sales method of accounting for oil and gas revenues whereby revenue is recognized for all oil and gas sold to purchasers, regardless of whether the sales are proportionate to the Company's ownership interest in the property. Production imbalances, if any, are recognized as an asset or liability to the extent that the Company has an imbalance on a specific property that is in excess of its remaining proved oil and gas reserves. Oil and gas sales volumes are not significantly different from the Company's share of production and as of December 31, 2014 and 2013, the Company did not have any material production imbalances.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the consolidated financial statements.



GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates (Continued)

Significant estimates include volumes of oil and natural gas reserves used in calculating depreciation, depletion and amortization of oil and natural gas properties, future net revenues and abandonment obligations, impairment of developed and undeveloped properties, the collectability of outstanding accounts receivable, contingencies, and the results of current and future litigation. Oil and natural gas reserve estimates, which are the basis for unit-of-production depreciation and depletion, have numerous inherent uncertainties. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Subsequent drilling results, testing, and production may justify revision of such estimates. Accordingly, reserve estimates are often different from the quantities of oil and natural gas that are ultimately recovered. In addition, reserve estimates are sensitive to changes in wellhead prices of crude oil and natural gas. Such prices have been volatile in the past and can be expected to be volatile in the future.

The significant estimates are based on current assumptions that may be materially affected by changes to future economic conditions, such as the market prices received for sales of volumes of oil and natural gas, and are primarily based upon the data and information received from the joint venture operator. Future changes in these assumptions may affect these significant estimates materially in the near term.

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current period and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The state of Texas has a gross margin tax that applies to the Company. Taxable margin is defined as total revenue less deduction for costs of goods sold or compensation and benefits in which total calculated taxable margin cannot exceed 70% of total revenue.

The Company will account for interest and penalties assessed as a result of an examination in income tax expense. The Company had no tax-related interest or penalties in 2014 and 2013. Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the consolidated financial statements. The tax years 2011 through 2014 are open for examination by the U.S. federal or state tax authorities. In November 2013, the Internal Revenue Service ("IRS") commenced examination of the Company's 2011 federal tax return. On a letter dated April 25, 2014, the IRS informed the Company that the 2011 tax examination has been completed and no changes were made to the reported tax.



GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sales-Based Taxes

The Company pays certain governmental taxes based on its sales of oil and natural gas to customers. The Company reports its sales at the gross amount and the related taxes, primarily severance taxes, are included in production taxes in the accompanying statement of operations. Total sales-based taxes incurred by the Company during 2014 and 2013 amounted to \$2,597,789 and \$1,754,629, respectively.

Fair Value of Financial Instruments

The Company measures fair value under Accounting Standard Codification 820, "Fair Value Measurements and Disclosures," which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements.

A three-level valuation hierarchy for disclosure of fair value measurements categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. Level 1 inputs include observable inputs such as quoted prices in active markets at the measurement date for identical, unrestricted assets or liabilities. Level 2 inputs include inputs that are observable directly or indirectly such as quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. Level 3 inputs include unobservable inputs for which there is little or no market data and which the Company makes its own assumptions about how market participants would price the assets and liabilities.

The Company's financial instruments are cash and cash equivalents, accounts receivable, accounts payable and debt. The recorded values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values based on their short-term nature. The recorded value of subordinated debt approximates the fair value, as interest rates approximate current market rates.

NOTE 3 - DEFERRED LOAN COSTS

The following table represents the Company's deferred loan costs at December 31:

	2014	2013
Beginning balance	\$ -	\$ 115,414
Costs incurred	124,000	-
Amortization	(4,416)	(115,414)
Ending balance	\$ 119,584	\$ -

Amortization expense during the years ended December 31, 2014 and 2013 amounted to \$4,416 and \$115,414, respectively.



GAIL Global (USA) Inc. and Subsidiary

A wholly-owned subsidiary of GAIL (India) Limited

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 4 - ASSET RETIREMENT OBLIGATIONS

A summary of the changes in the asset retirement obligation for the periods ending December 31:

	2014	2013
Beginning balance	\$ 619,564	\$ 183,304
Revisions	(137,194)	219,951
Liabilities acquired / incurred	177,738	194,676
Accretion expense	21,411	21,633
Ending balance	\$ 681,519	\$ 619,564

NOTE 5 - LINE OF CREDIT

The Company entered into a credit facility comprised of a \$104,000,000 committed loan and a \$10,000,000 uncommitted loan (the "Line of Credit") with a bank in December 2014. The outstanding balance on the credit facility at December 31, 2014 was \$89,000,000. Principal is due at maturity on December 18, 2015. Borrowings under the Line of Credit accrue interest at the one-month LIBOR (0.17% at December 31, 2014) plus 0.60% and is payable monthly. The Line of Credit has a commitment fee equal to (a) 0.20% per annum times (b) the lesser of (i) the average daily amount by which the commitment exceeds the outstanding principal amount of the committed loan and (ii) \$104,000,000. The commitment fee will accrue at all times, as defined, and will be due and payable in arrears on the last day of each interest period. The Line of Credit is guaranteed by the Parent for an annual fee of 0.10% payable quarterly in advance calculated based on the outstanding principal plus unpaid interest of the previous quarter.

In December 2013, the Company entered into a credit facility comprised of a \$104,000,000 committed loan and a \$10,000,000 uncommitted loan (the "Former Line of Credit") with a bank. The outstanding balance on the credit facility at December 31, 2013 was \$99,000,000. The outstanding principal of \$90,000,000 was paid in full on December 19, 2014 using proceeds from the above Line of Credit. Borrowings under the Former Line of Credit accrued interest at the one-month LIBOR (0.17% at December 31, 2013) plus 0.49375% and was payable monthly. The Former Line of Credit had a commitment fee equal to (a) 0.05% per annum times (b) the lesser of (i) the average daily amount by which the commitment exceeds the outstanding principal amount of the committed loan and (ii) \$104,000,000. The commitment fee will accrue at all times, as defined, and will be due and payable in arrears on the last day of each interest period. The Former Line of Credit was guaranteed by the Parent for an annual provisional fee of 0.2532% payable quarterly calculated based on the outstanding principal plus unpaid interest.



GAIL Global (USA) Inc. and Subsidiary

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Notes to Consolidated Financial Statements

December 31, 2014

NOTE 6 - INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using a U.S. Federal statutory corporate rate of 34%. Significant components of the Company's deferred tax liability as of December 31 are as follows:

	<u>2014</u>	<u>2013</u>
Differences in depletion, depreciation and amortization of property for tax purposes	\$ (8,200,004)	\$ (7,242,950)
Net operating loss carryforward	-	4,176,207
Tax credit carryforward	244,528	-
Capitalized interest expense	<u>(563,675)</u>	<u>(745,257)</u>
Total deferred tax liability	<u>\$ (8,519,151)</u>	<u>\$ (3,812,000)</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

The Company recorded interest expense related to the Parent's guarantee of bank loans in 2014 and 2013 totaling \$240,082 and \$459,049, respectively. At December 31, 2014 and 2013, \$381 and \$115,406, respectively, remains unpaid and is included within accrued liabilities.

The Company incurred general and administrative expenses incurred by its Parent on behalf of the Company of \$148,957 and \$192,110 in 2014 and 2013, respectively. At December 31, 2014 and 2013, \$8,253 and \$24,813, respectively, was unpaid and included in accounts payable.

In 2014, GGULL began to charge GAIL (India) Limited (Parent) for certain services provided on behalf of the Parent, recorded as a reduction in general and administrative expenses on the accompanying consolidated statement of operations. At December 31, 2014, accounts receivable - Parent included \$292,940 related to these charges.

NOTE 8 - CONCENTRATIONS OF CREDIT RISK AND FINANCIAL INSTRUMENTS

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash, accounts receivable and debt. The Company maintains its cash with financial institutions it believes have a high credit quality. The Company at times maintains bank deposits in excess of federally-insured limits. The possibility of a loss exists if the bank holding excess deposits was to fail. All of the Company's accounts receivable is from Carrizo as operator of the Company's properties resulting from oil and natural gas sales. To mitigate this credit risk, the Company closely monitors the payment history and credit worthiness of Carrizo. The carrying value of the debt approximates fair value because the interest rate is based on current market rates commensurate with debt instruments that carry similar credit risk.

NOTE 9 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 4, 2015, the date the financial statements were available to be issued and have determined that there are no other subsequent events to be reported.

Supplementary Information



GAIL Global (USA) Inc. and Subsidiary

A wholly owned subsidiary of GAIL (India) Limited

Consolidated Fixed Assets Rollforward

Year Ended December 31, 2014

	COST			DEPLETION, DEPRECIATION AND AMORTIZATION				NET BOOK VALUE		
	Balance at December 31, 2013	Additions/ Transfers, net	Retirements	Balance at December 31, 2014	Balance at December 31, 2013	Additions/ Transfers	Retirements	Balance at December 31, 2014	December 31,	
									2013	2014
Oil and Natural Gas Properties										
<i>Proved property costs</i>										
Leasehold costs	\$ 52,209,689	\$ 2,635,264	\$ -	\$ 54,844,953	\$ 2,376,923	\$ 1,396,899	\$ -	\$ 3,773,822	\$ 49,832,766	\$ 51,071,131
Drilling costs	48,661,443	8,443,363	-	57,104,806	12,980,435	8,486,088	-	21,466,523	35,681,008	35,638,283
Completion costs	78,105,348	15,902,173	-	94,007,521	19,551,196	14,342,973	-	33,894,169	58,554,152	60,113,352
Production equipment and facilities	7,385,420	3,348,677	-	10,734,097	1,711,158	1,726,951	-	3,438,109	5,674,262	7,295,988
ARO and capitalized interest	2,783,528	405,466	-	3,188,994	662,603	460,554	-	1,123,157	2,120,925	2,065,837
Total proved property costs	189,145,428	30,734,943	-	219,880,371	37,282,315	26,413,465	-	63,695,780	151,863,113	156,184,591
<i>Unproved leasehold costs</i>	112,313	-	-	112,313	-	-	-	-	112,313	112,313
Total	189,257,741	30,734,943	-	219,992,684	37,282,315	26,413,465	-	63,695,780	151,975,426	156,296,904
<i>Wells in progress costs</i>										
Drilling costs	4,479,570	(2,392,999)	-	2,086,571	-	-	-	-	4,479,570	2,086,571
Completion costs	1,327,774	(1,327,774)	-	-	-	-	-	-	1,327,774	-
Production equipment and facilities	925	(925)	-	-	-	-	-	-	925	-
Total wells in progress costs	5,808,269	(3,721,698)	-	2,086,571	-	-	-	-	5,808,269	2,086,571
Total oil and natural gas properties	195,066,010	27,013,245	-	222,079,255	37,282,315	26,413,465	-	63,695,780	157,783,695	158,383,475
Other										
Office equipment	1,914	-	-	1,914	558	372	-	930	1,356	984
Total other	1,914	-	-	1,914	558	372	-	930	1,356	984
Grand total	\$ 195,067,924	\$ 27,013,245	\$ -	\$ 222,081,169	\$ 37,282,873	\$ 26,413,837	\$ -	\$ 63,696,710	\$ 157,785,051	\$ 158,384,459

See independent auditors' report on supplementary information.



GAIL Global (USA) Inc. and Subsidiary

A wholly owned subsidiary of GAIL (India) Limited

Consolidated Fixed Assets Rollforward

Year Ended December 31, 2013

	COST			DEPLETION, DEPRECIATION AND AMORTIZATION				NET BOOK VALUE		
	Balance at December 31, 2012	Additions/ Transfers, net	Retirements	Balance at December 31, 2013	Balance at December 31, 2012	Additions/ Transfers	Retirements	Balance at December 31, 2013	December 31,	
									2012	2013
Oil and Natural Gas Properties										
<i>Proved property costs</i>										
Leasehold costs	\$ 42,730,668	\$ 10,909,461	\$ 1,430,440	\$ 52,209,689	\$ 920,121	\$ 1,456,802	\$ -	\$ 2,376,923	\$ 41,810,547	\$ 49,832,766
Drilling costs	32,606,916	16,461,566	407,039	48,661,443	12,377,092	603,343	-	12,980,435	20,229,824	35,681,008
Completion costs	46,258,423	31,867,639	20,714	78,105,348	1,371,234	18,179,962	-	19,551,196	44,887,189	58,554,152
Production equipment and facilities	3,415,053	4,003,986	33,619	7,385,420	-	1,711,158	-	1,711,158	3,415,053	5,674,262
ARO and capitalized interest	1,700,624	1,082,904	-	2,783,528	229,398	433,205	-	662,603	1,471,226	2,120,925
Total proved property costs	126,711,684	64,325,556	1,891,812	189,145,428	14,897,845	22,384,470	-	37,282,315	111,813,839	151,863,113
<i>Unproved leasehold costs</i>	7,027,061	(6,914,748)	-	112,313	-	-	-	-	7,027,061	112,313
Total	133,738,745	57,410,808	1,891,812	189,257,741	14,897,845	22,384,470	-	37,282,315	118,840,900	151,975,426
<i>Wells in progress costs</i>										
Drilling costs	7,210,965	(2,731,395)	-	4,479,570	-	-	-	-	7,210,965	4,479,570
Completion costs	951,332	376,442	-	1,327,774	-	-	-	-	951,332	1,327,774
Production equipment and facilities	567,150	(566,225)	-	925	-	-	-	-	567,150	925
Total wells in progress costs	8,729,447	(2,921,178)	-	5,808,269	-	-	-	-	8,729,447	5,808,269
Total oil and natural gas properties	142,468,192	54,489,630	1,891,812	195,066,010	14,897,845	22,384,470	-	37,282,315	127,570,347	157,783,695
Other										
Office equipment	1,914	-	-	1,914	186	372	-	558	1,728	1,356
Total other	1,914	-	-	1,914	186	372	-	558	1,728	1,356
Grand total	\$ 142,470,106	\$ 54,489,630	\$ 1,891,812	\$ 195,067,924	\$ 14,898,031	\$ 22,384,842	\$ -	\$ 37,282,873	\$ 127,572,075	\$ 157,785,051

See independent auditors' report on supplementary information.