



**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 STATEMENT

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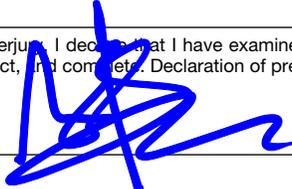
**18** Can any resulting loss be recognized? ▶ SEE ATTACHED STATEMENT

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**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ SEE ATTACHED STATEMENT

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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 ▶  Date ▶ 1-05-2021

Print your name ▶ Mark Schell Title ▶ EVP & Chief Strategy Officer

<b>Paid Preparer Use Only</b>	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.

Unit Corporation & Subsidiaries  
FEIN: 73-1283193  
Attachment to Form 8937  
Report of Organizational Actions Affecting Basis of Securities

Disclaimer: The information in Form 8937 and this attachment does not constitute tax advice and does not consider any shareholder's or note holder's specific circumstances. Shareholders and noteholders are urged to consult their tax advisors regarding U.S. federal income tax consequences of the Transaction (as defined below) and the impact to tax basis resulting from the Transaction.

Unit Corporation & Subsidiaries  
 FEIN: 73-1283193  
 Attachment to Form 8937  
 Report of Organizational Actions Affecting Basis of Securities

Form 8937, Part I, Lines 9 and 10

<u>Classification and Description (Line 9)</u>	<u>CUSIP Number (Line 10)</u>
Subordinated Notes Claims	909218AB5
RBL (reserve-based loans) Claims	N/A
Old Unit Stock	909218109
New Unit Stock	909218406 and 909218505
Exit Facility Loans	N/A
New Warrants	909218125

Form 8937, Part II, Line 14

On May 22, 2020 ("Petition Date"), Unit Corporation ("Unit") and certain of its subsidiaries (together, "Debtors") filed the Debtors' Joint Chapter 11 Plan of Reorganization ("Bankruptcy Filing") in the United States Bankruptcy Court for the Southern District of Texas ("Bankruptcy Court"). The Bankruptcy Filing was supplemented on July 22, 2020, July 30, 2020, and August 6, 2020, with additional filings ("Plan Supplement") (Bankruptcy Filing, with the Plan Supplement and applicable amendments, are called the "Plan"). On August 6, 2020 ("Confirmation Date"), the Bankruptcy Court entered an order approving and confirming the Plan. On September 3, 2020 ("Effective Date"), Unit satisfied the Plan's conditions, and the Plan became effective. For a complete discussion of certain U.S. federal income tax consequences relating to the Transaction, see the Disclosure Statement for the Debtors' Joint Chapter 11 Plan of Reorganization, dated as of June 19, 2020 ("Disclosure Statement"). Terms not otherwise defined have the meaning in the Plan or the Disclosure Statement.

On the Effective Date, in a series of transactions under the Plan, the Debtors distributed new common stock of Unit ("New Unit Stock") to holders of certain allowed claims ("Allowed Claims") as described below, in exchange for those holders' cancellation and forgiveness of their Allowed Claims. Concurrently, all the old common stock of Unit ("Old Unit Stock") was canceled and extinguished, and the holders of the Old Unit Stock received Warrants issued under the Warrant Package ("New Warrants"). The events that occurred on the Effective Date under the Plan are cumulatively referred to as the "Transaction." The following describes the exchange of consideration between Unit and these holders of Allowed Claims in the Transaction:

- Holders of revolving loans under the RBL Agreement ("RBL Claims");
- Holders of 6.625% Senior Subordinated Notes due 2021 ("Subordinated Notes Claims");
- Holders of General Unsecured Claims ("GUC Claims"); and
- Holders of Old Unit Stock.

### *Treatment of Holders of RBL Claims*

Under the Plan, the RBL Claims included in the claims under the Senior Credit Agreement dated as of September 13, 2011 (as amended, restated, modified, supplemented, or replaced from time-to-time) ("RBL Agreement"), between Unit, Unit Drilling Company, Unit Petroleum Company, BOKF, NA dba Bank of Oklahoma, as Administrative Agent and Issuer, and other lenders from time-to-time party to the RBL Agreement. On the Effective Date, each holder of an RBL Claim exchanged its RBL Claim for Exit Facility Loans under the Amended and Restated Credit Agreement dated as of September 3, 2020 ("Exit Facility Agreement"), between Unit, Unit Drilling Company, Unit Petroleum Company, BOKF, NA dba Bank of Oklahoma, as Administrative Agent and Issuer, and other lenders from time-to-time party to the Exit Facility Agreement. In addition, on the Effective Date, each holder of an RBL Claim received an Equity Exit Fee in the form of New Unit Stock.

### *Treatment of Holders of Subordinated Note Claims*

On the Effective Date, each holder of a Subordinated Notes Claim was entitled to receive, in full and final satisfaction of that holder's Subordinated Notes Claim, the holder's Pro Rata share of the New Unit Stock.

### *Treatment of Holders of GUC Claims*

On the Effective Date, each holder of a GUC Claim was entitled to receive, in full and final satisfaction of the holder's GUC Claim, the holder's Pro Rata share of New Unit Stock.

### *Treatment of Holders of Old Unit Stock*

On the Effective Date, the Old Unit Stock was canceled, released, discharged, and extinguished. Each holder of Old Unit Stock that did not opt-out of a release in favor of Unit was entitled to receive New Warrants.

Form 8937, Part II, Line 15

### *Effect of Basis to Holders of RBL Claims*

Under the Plan, a U.S. holder of an RBL Claim will be treated as exchanging the holder's RBL Claim on the Effective Date for its pro-rata share of (i) a secured revolving loan ("New RBL") and (ii) a senior secured term loan ("New Term Loan" and, with the New RBL, the "Exit Facility Loans" and the exchange, the "RBL Claims Exchange"). The Debtors expect that the RBL Claims Exchange will be treated as a taxable exchange of the RBL Claims for the Exit Facility Loans. The discussion below assumes the RBL Claims Exchange will be treated as a taxable exchange. Each holder of an RBL Claim will also receive an Equity Exit Fee in the form of New Unit Stock.

Subject to the treatment of the Equity Exit Fee, discussed below, each U.S. holder of an RBL Claim should recognize gain or loss equal to the difference between (x) the issue price of any Exit Facility Loans received in the RBL Claims Exchange and (y) the U.S. holder's adjusted basis, if any, in the RBL Claim. The Debtors intend to claim for U.S. federal income tax purposes that the issue price of each Exit Facility Loan is equal to the stated principal amount of the Exit Facility Loan and, therefore, each holder of an RBL Claim should have basis in each Exit Facility Loan equal to the stated principal amount of the Exit Facility Loan. Whether the gain or loss is capital or ordinary will be determined by several factors relevant to a U.S. holder. A U.S. holder's holding period for each Exit Facility Loan should begin on the day following the Effective Date.

The U.S. federal income tax treatment of receiving the Equity Exit Fee is not entirely clear. The Equity Exit Fee may be treated as received in exchange for an RBL Claim or as a separate fee. If the Equity Exit Fee is treated as additional consideration for an RBL Claim, the fair market value of the Equity Exit Fee should be treated as additional consideration for the RBL Claim, resulting in greater gain, or less loss, in the manner described above. If, instead, the Equity Exit Fee were treated as a separate fee, the fair market value of the Equity Exit Fee generally should be recognized as ordinary income. A U.S. holder of an RBL Claim should have basis in the New Unit Stock received as the Equity Exit Fee equal to the New Unit Stock's fair market value (as of the Effective Date). A U.S. holder's holding period for New Unit Stock should begin on the day following the Effective Date. U.S. holders should consult their tax advisors as to the proper treatment of receiving the Equity Exit Fee.

#### *Effect of Basis to Holders of Subordinated Notes Claims*

Under the Plan, each U.S. holder of a Subordinated Notes Claim will receive New Unit Stock in exchange for its Subordinated Notes Claim ("Subordinated Notes Exchange"). The U.S. federal income tax treatment of the Subordinated Notes Exchange is uncertain. The discussion below describes the U.S. federal income tax consequences associated with the potential characterization of the Subordinated Notes Exchange as either (i) a recapitalization ("Recapitalization") governed by Section 368 of the Internal Revenue Code of 1986, as amended ("Tax Code") or (ii) a taxable exchange for U.S. federal income tax purposes.

To the extent the Subordinated Notes Exchange qualifies as a Recapitalization, (i) a U.S. holder of a Subordinated Notes Claim should not recognize loss regarding the Subordinated Notes Exchange and should not recognize gain (subject to the recognition of income for accrued but unpaid interest), (ii) the U.S. holder's tax basis in its New Unit Stock received should equal the U.S. holder's tax basis in the Subordinated Notes Claims surrendered therefor increased by gain, if any, recognized by the U.S. holder in the Subordinated Notes Exchange regarding any New Unit Stock allocable to accrued but unpaid interest, and (iii) a U.S. holder's holding period for its interest in New Unit Stock should include the holding period for the Subordinated Notes Claims surrendered therefor (except to the extent any New Unit Stock is allocable to accrued but unpaid interest, in which case the holding period in the New Unit Stock would begin on the day following the Effective Date). To the extent a Subordinated Note Claim was acquired with market discount, any market discount that accrued on the Subordinated Note Claim but was not recognized by the U.S. holder is carried over to the U.S. holder's New Unit Stock, and any

gain recognized on any subsequent sale, or other disposition of New Unit Stock is treated as ordinary income to the extent of accrued, but not recognized, market discount.

To the extent the Subordinated Notes Exchange is not a Recapitalization for U.S. federal tax purposes, a U.S. holder of a Subordinated Notes Claim will be treated as exchanging the holder's Claim for New Unit Stock in a taxable exchange. If the Subordinated Notes Exchange is treated as a taxable exchange, each U.S. holder of a Subordinated Notes Claim should recognize gain or loss equal to the difference between (x) the fair market value of the New Unit Stock received in exchange for the Claim and (y) the U.S. holder's adjusted basis, if any, in the Claim. A U.S. holder's tax basis in the New Unit Stock received should equal the New Unit Stock's fair market value (as of the Effective Date). A U.S. holder's holding period for the New Unit Stock received should begin on the day following the Effective Date. Whether such gain or loss is capital or ordinary will be determined by several factors relevant to a U.S. holder.

#### *Effect of Basis to Holders of GUC Claims*

Provided a GUC Claim holder does not opt-in to the Separation Settlement, a holder of a GUC Claim will receive New Unit Stock. A U.S. holder of a GUC Claim generally should be treated as exchanging the Claim for New Unit Stock in a fully taxable transaction. A U.S. holder of a GUC Claim should recognize gain or loss equal to the difference between (x) the fair market value of the New Unit Stock received and (y) the holder's adjusted tax basis, if any, in the Claim surrendered in the exchange. Whether gain or loss is capital or ordinary will be determined by several factors relevant to the U.S. holder. A U.S. holder's tax basis in the New Unit Stock received should be equal to the fair market value of the New Unit Stock received (as of the Effective Date). A U.S. holder's holding period for the New Unit Stock received should begin on the day following the Effective Date.

#### *Effect of Basis to Holders of Old Unit Stock*

The U.S. federal income tax treatment of receiving New Warrants received by a U.S. holder of Old Unit Stock and the cancellation of the Old Unit Stock (collectively, "Old Unit Stock Transaction") is not entirely clear. The New Warrants may be treated as received in exchange for Old Unit Stock or as a separate fee. If receiving the New Warrants is treated as consideration for the Old Unit Stock, U.S. holders of Old Unit Stock should recognize gain or loss equal to the difference between (x) the fair market value of the New Warrants received and (y) the respective U.S. holder's adjusted tax basis, if any, in the Old Unit Stock surrendered in the Old Unit Stock Transaction. If, instead, the New Warrants were treated as a separate fee, the holder should recognize (i) a loss equal to the holder's tax basis in the surrendered Old Unit Stock and (ii) ordinary income equal to the fair market value of the New Warrants received. A U.S. holder generally can use no capital loss recognized on the surrender of Old Unit Stock to offset any ordinary income resulting from receiving New Warrants. Provided the Old Unit Stock was held as a capital asset; the gain or loss recognized should generally be capital gain or loss. A U.S. holder's holding period for the New Warrants received on the Effective Date should begin on the day following the Effective Date. A U.S. holder's tax basis in the New Warrants should be equal to the fair market value of the New Warrants received (as of the Effective Date).

#### Form 8937, Part II, Line 16

Regarding an RBL Claim, a U.S. holder's tax basis in each Exit Facility Loan received in exchange for an RBL Claim should be equal to the Exit Facility Loan's stated principal amount. In addition, a U.S. holder of an RBL Claim should have basis in the New Unit Stock received as the Equity Exit Fee equal to the fair market value of the New Unit Stock received as of the Effective Date.

If the Subordinated Notes Exchange constituted a Recapitalization, a U.S. holder's tax basis in the New Unit received regarding the Subordinated Notes Claim should generally equal the holder's tax basis in the Subordinated Notes Claims surrendered in the Subordinated Notes Exchange, increased by any gain, if any, recognized by the U.S. holder in the Subordinated Notes Exchange regarding any New Unit Stock allocable to accrued but unpaid interest.

To the extent the Subordinated Notes Exchange did not constitute a Recapitalization, a U.S. holder's tax basis in the New Unit Stock received in the Subordinated Notes Exchange should be equal to the fair market value of the New Unit Stock received as of the Effective Date.

Regarding a GUC Claim, a U.S. holder's tax basis in the New Unit Stock received in exchange for a GUC Claim should be equal to the New Unit Stock's fair market value as of the Effective Date.

Regarding Old Unit Stock, a U.S. holder's tax basis in the New Warrants received in the Old Unit Stock Transaction should be equal to the New Warrants' fair market value s of the Effective Date.

#### Form 8937, Part II, Line 17

For Holders of Subordinated Notes Claims—IRC Sections 354, 356, 358, 368, 1001, 1012, and 1223.  
For Holders of Other Claims—IRC (Internal Revenue Service Code) Sections 1001, 1012, and 1223.

#### Form 8937, Part II, Line 18

To the extent the Subordinated Notes Exchange is treated as a Recapitalization, generally no loss may be recognized regarding the Subordinates Notes Claims.

To the extent the Transaction is taxable, any loss is generally recognizable in an amount generally equal to the excess of the U.S. holder's adjusted tax basis in the Claim relinquished over the aggregate fair market value of the New Unit Stock or New Warrants received regarding a Claim. However, if the New Warrants were treated as a separate fee instead of consideration for the Old Unit Stock, loss on the relinquishment of the Old Unit Stock is generally recognizable in an amount equal to the adjusted tax basis in the Old Unit Stock.

#### Form 8937, Part II, Line 19

The adjustments to basis would be taken into account in the holder's tax year during which the Effective Date occurred (i.e., September 3, 2020).