

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 ATTACHMENT](#)

Horizontal lines for listing applicable Internal Revenue Code sections and subsections.

18 Can any resulting loss be recognized? ▶ [SEE ATTACHMENT](#)

Horizontal lines for providing information regarding resulting loss recognition.

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

Horizontal lines for providing other information necessary to implement the adjustment.

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 ▶ *Karl D. Meche* Date ▶ 4/14/2017

Print your name ▶ **KARL D. MECHE** Title ▶ **DIRECTOR OF ACCT & TREASURER**

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.

STONE ENERGY CORPORATION

EIN: 72-1235413

ATTACHMENT TO IRS FORM 8937

REPORT OF ORGANIZATION ACTIONS AFFECTING BASIS OF SECURITIES

Disclaimer

The information in Form 8937 and this attachment does not constitute tax advice and does not purport to take into account the specific circumstances that may apply to particular categories of shareholders or noteholders. Each Holder is urged to consult its own tax advisor regarding the particular consequences of the transactions described herein, including the impact to the tax basis resulting therefrom.

Each Holder is also urged to consult the Plan and the Disclosure Statement (each as defined below), including the section in the Disclosure Statement entitled "Certain Tax Consequences of the Plan." Unless otherwise defined, all capitalized terms shall have the meanings ascribed to them in the Plan and Disclosure Statement.

Part I

Item 9: Classification and Description

- (1) 7 ½% Senior Notes due 2022
- (2) 1 ¾% Senior Convertible Notes due 2017
- (3) Common Stock

Item 10: CUSIP Number

- (1) 7 ½% Senior Notes due 2022: 861642AM8
- (2) 1 ¾% Senior Convertible Notes due 2017: 861642AL0
- (3) Common Stock: 861642304

Item 11: Serial Number

N/A

Item 12: Ticker Symbol

- (1) 7 ½% Senior Notes due 2022: N/A
- (2) 1 ¾% Senior Convertible Notes due 2017: N/A
- (3) Common Stock: SGY

Item 13: Account Number(s)

N/A

Part II

Item 14: Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action

On December 14, 2016, Stone Energy Corporation ("Stone" or the "Company") and its subsidiaries, Stone Energy Holding, L.L.C. and Stone Energy Offshore, L.L.C. (collectively, the "Debtors") filed voluntary petitions (the cases commenced thereby, the "Chapter 11 Cases") seeking relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court") under the caption *In re Stone Energy Corporation, et al.* On December 28, 2016, the Debtors filed with the Bankruptcy Court the proposed Second Amended Joint Prepackaged Plan of Reorganization of Stone Energy Corporation and its Debtor Affiliates, dated December 28, 2016, as described below (as amended, modified or supplemented from time to time, the "Plan"). On February 28, 2017 (the "Effective Date"), the Company satisfied the conditions precedent to the consummation of the Plan and the Plan became effective.

Pursuant to the Plan:

- Prepetition holders of the Company's 7 ½% Senior Notes due 2022 (the "2022 Notes") and 1 ¾% Senior Convertible Notes due 2017 (the "Convertible Notes" and together with the 2022 Notes, the "Old Notes") received their proportionate share of (i) \$100 million of cash, (ii) \$225 million of 7.5% senior secured second lien notes due 2022 (the "New Secured Notes") and (iii) 19.0 million newly issued Company common shares (the "New Common Shares"), representing 95% of the New Common Shares.
- Holders of Stone Equity Interests received 1.0 million New Common Shares, or an equivalent of an approximate 1-for-5.674558 reverse stock split (or 0.176263 New Common Shares for each 1 share of old common stock issued by Stone (the "Existing Shares"), representing 5% of the New Common Shares. Additionally, the Holders of Stone Equity Interests received warrants (the "New Warrants") to purchase 3,529,412 New Common Shares, or approximately 3.529412 New Warrants for each 1 New Common Share. This equates to 0.622009 New Warrants for each 1 Existing Share (each based on 5,674,558 Existing Shares issued and outstanding and subject to rounding). The New Warrants have an exercise price of \$42.04 per share, as the same may be adjusted pursuant to the terms of the New Warrants, and a term of four years, unless terminated earlier by their terms upon the consummation of certain business combinations or sale transactions involving the Company.

For more information regarding the above described transactions, please see the Plan and Disclosure Statement, available on the Company's website at www.StoneEnergy.com.

Item 15: Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis

Holdings of the Old Notes

Pursuant to the Plan, each holder of Old Notes exchanged its Old Notes for cash, New Secured Notes and New Common Shares (the "Old Notes Exchange").

Assuming the Old Notes and New Secured Notes constitute “securities” for U.S. federal income tax purposes, each holder of Old Notes (the “Noteholder”) should not recognize gain or loss in the exchange, except that any gain should be recognized to the extent that any cash received is treated as additional consideration in exchange for the Old Notes. A Noteholder’s initial tax basis in the New Secured Notes and New Common Shares should be equal to its adjusted tax basis in the Old Notes exchanged therefor, minus the amount of any cash received as additional consideration for the Old Notes, plus the amount of any gain recognized in the Old Notes Exchange, and shall be allocated between the New Secured Notes and New Common Shares in proportion to their fair market values as of the Effective Date. A Noteholder’s holding period in the New Secured Notes and New Common Shares should include the Noteholder’s holding period in the Old Notes. A Noteholder’s tax basis and holding period in the New Secured Notes and New Common Shares would generally be required to be calculated separately for each block of Old Notes exchanged therefor.

If the Old Notes or New Secured Notes do not constitute “securities” for U.S. federal income tax purposes, each Noteholder would recognize gain, but not loss, to the extent of the fair market value (as determined for purposes of Internal Revenue Code Section 356) of the New Secured Notes and any cash received is treated as additional consideration for the Old Notes. The amount of gain (if any) recognized by a Noteholder would be equal to the excess of (i) the sum of the issue price of the New Secured Notes, the fair market value of the New Common Shares and any cash received as consideration for the Old Notes over (ii) the Noteholder’s adjusted tax basis in the Old Notes exchanged therefor. In this case, the Noteholder’s initial tax basis in the New Common Shares would be equal to its adjusted tax basis in the Old Notes minus the fair market value of the New Secured Notes received on the Effective Date, minus the amount of any cash received as additional consideration for the Old Notes, plus the amount of any gain recognized by the Noteholder in the Old Notes Exchange. The Noteholder’s initial tax basis in the New Secured Notes would be equal to the debt’s fair market value (as determined for purposes of Internal Revenue Code Section 358) on the Effective Date. The Noteholder’s holding period in the New Common Shares would include the Noteholder’s holding period in the Old Notes, and its holding period in the New Secured Notes would begin on the day after the Effective Date.

Stone cannot provide information as to any particular Noteholder’s tax basis or holding period in the Old Notes. Each Noteholder should consult with its own tax advisor to determine its tax basis based on how and when it acquired their Old Notes.

Holders of Stone Equity Interests

Pursuant to the Plan, each Holder of Stone Equity Interests received New Common Shares and New Warrants.

Holders of Stone Equity Interests should not recognize gain or loss on the exchange of Stone Equity Interests for New Common Shares and New Warrants. A Holder’s initial tax basis in the New Common Shares and New Warrants should be equal to its adjusted tax basis in the Stone Equity Interests exchanged therefor, and shall be allocated between the New Common Shares and New Warrants in proportion to their fair market values as of the Effective Date. A Holder’s holding period in the New Common Shares and New Warrants should include the Holder’s holding period in the Stone Equity Interests. A Holder’s tax basis and holding period in the new Common Shares and New Warrants would generally be required to be calculated separately for each block of Stone Equity Interests exchanged therefor.

Stone cannot provide information as to any particular Holder's tax basis or holding period in its Stone Equity Interests. Each Holder should consult with its tax advisor to determine its tax basis based on how and when it acquired the Stone Equity Interests.

Item 16: Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates

There are several possible approaches for determining fair market value of the New Common Shares, New Warrants and New Secured Notes. Fair market value generally is the price at which property would change hands between a willing buyer and willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the facts.

Based on the Plan, the expected value of the New Common Shares on the Effective Date was \$18.56 per share. Based on a Black Scholes valuation analysis (using the Plan value of \$18.56 per share of New Common Shares), the expected Plan value of the New Warrants on the Effective Date was \$4.36 per New Warrant. Additionally, the expected Plan value of the New Secured Notes was 100% of the principal amount.

The actual trading value of the New Common Shares distributed to holders, however, differed significantly from the expected \$18.56 per share value assigned to the New Common Shares pursuant to the Plan. In this regard, on March 1, 2017 (the day following emergence and the first day that the New Common Shares were trading on the NYSE) Stone's stock opened at \$32.08 per share, and the average of the high and low trading prices from that day was \$27.77 per share. Additionally, the New Warrants began trading on March 10, 2017 and opened at \$1.50 per New Warrant and the average of the high and low trading prices from that day was \$3.25 per New Warrant.

U.S. federal income tax law does not specifically prescribe how the fair market value of the New Common Shares, New Warrants and New Secured Notes should be determined for purposes of allocating tax basis. Each Holder should consult with its own tax advisor to determine what measure of fair market value to use.

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

Sections 354(a), 356, 358, 361, 368(a)(1)(E), 1001, 1221, 1222 and 1223 and 1273 of the Internal Revenue Code

Item 18: Can any resulting loss be recognized?

Holders of the Old Notes

Assuming the Old Notes and New Secured Notes constitute "securities" for U.S. federal income tax purposes, no loss may be recognized on the Noteholder's exchange. If the Old Notes or New Secured Notes do not constitute securities for U.S. federal income tax purposes, then a Noteholder would recognize gain, but not loss, to the extent of the fair market value (as determined for purposes of Internal Revenue Code Section 356) of the New Secured Notes and any cash received is treated as additional consideration for the Old Notes.

Holders of Stone Equity Interests

No loss may be recognized by a Holder.

Item 19: Provide any other information necessary to implement the adjustment, such as the reportable tax year

The transactions described herein occurred on the Effective Date, which was February 28, 2017. Therefore, for calendar year taxpayers, the reportable tax year would generally be 2017.

Each Holder is urged to consult with its own tax advisor regarding the particular tax consequences of the transactions described herein. Additionally Holders should review the relevant discussions included in the Disclosure Statement under "Certain Tax Consequences of the Plan".