

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	Chapter 11
)	
CHAPARRAL ENERGY, INC., <i>et al.</i> , ¹)	Case No. 20-11947 (MFW)
)	
Debtors.)	(Jointly Administered)
)	
)	Re: Docket No. 24
)	

**INTERIM ORDER (I) AUTHORIZING THE DEBTORS TO ENTER INTO AND
PERFORM UNDER POSTPETITION HEDGING ARRANGEMENTS, (II) GRANTING
LIENS AND SUPERPRIORITY ADMINISTRATIVE EXPENSE CLAIMS, AND (III)
GRANTING RELATED RELIEF**

Upon the motion (the “**Motion**”)² of Chaparral Energy, Inc. and its subsidiaries that are debtors and debtors in possession (collectively, the “**Debtors**”) in the Chapter 11 Cases for entry of an Interim Order and Final Order, pursuant to sections 105(a), 363, and 364 of the Bankruptcy Code, Bankruptcy Rules 6003 and 6004, and Local Rule 9013-1(m), and consistent with industry practice, requesting entry of an Interim Order and a Final Order (a) authorizing the Debtors to enter into and perform under Postpetition Hedging Arrangements with the Prepetition Lenders and their hedging affiliates, (b) authorizing the Debtors to honor, pay, or otherwise satisfy all obligations, liabilities, and indebtedness of the Debtors arising under Postpetition Hedging Arrangements as they come due in the ordinary course, (c) authorizing the Debtors to grant liens and superpriority administrative claims on account of Postpetition Hedging Arrangements,

¹ The Debtors in these cases, along with the last four digits (or five digits, in cases in which multiple Debtors have the same last four digits) of each Debtor’s federal tax identification number, are: CEI Acquisition, L.L.C. (1817); CEI Pipeline, L.L.C. (6877); Chaparral Biofuels, L.L.C. (1066); Chaparral CO2, L.L.C. (1656); Chaparral Energy, Inc. (90941); Chaparral Energy, L.L.C. (20941); Chaparral Exploration, L.L.C. (1968); Chaparral Real Estate, L.L.C. (1655); Chaparral Resources, L.L.C. (1710); Charles Energy, L.L.C. (3750); Chestnut Energy, L.L.C. (9730); Green Country Supply, Inc. (2723); Roadrunner Drilling, L.L.C. (2399); and Trabajo Energy, L.L.C. (9753). The Debtors’ address is 701 Cedar Lake Boulevard, Oklahoma City, OK 73114.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.



(d) authorizing the Postpetition Hedge Providers to exercise all rights and remedies solely in accordance with the terms of each agreement governing such Postpetition Hedging Arrangement, (e) in the event of an event of default or termination event under the Postpetition Hedging Arrangements or after the occurrence of the Termination Date (as defined in the Cash Collateral Order (as defined below)), authorizing the Postpetition Hedging Providers to exercise all rights and remedies and rights to set off, net, and apply any payment amounts that such Postpetition Hedge Providers would otherwise be obligated to pay to any Debtor in connection with the Postpetition Hedging Arrangements against any prepetition indebtedness owed to such Postpetition Hedge Provider, and (f) granting related relief; and the Court having jurisdiction to consider the matters raised in the Motion pursuant to 28 U.S.C. § 1334 and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware*, dated February 29, 2012; and the Court having authority to hear the matters raised in the Motion pursuant to 28 U.S.C. § 157; and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and consideration of the Motion and the requested relief being a core proceeding that the Court can determine pursuant to 28 U.S.C. § 157(b)(2); and due and proper notice of the Motion and opportunity for a hearing on the Motion having been given to the Notice Parties, under the circumstances, and it appearing that no other or further notice need be provided; and the Court having reviewed and considered the Motion and the First Day Declaration; and the Court having held a hearing on the Motion (the “**Hearing**”); and the Court having found that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and the Court having determined that the relief requested in the Motion being in the best interests of the Debtors, their creditors, their estates, and all other parties in interest; and the Court having determined that the relief requested in the Motion is

necessary to avoid immediate and irreparable harm to the Debtors and their estates as contemplated by Bankruptcy Rule 6003; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor, it is hereby

ORDERED, ADJUDGED AND DECREED THAT:

1. The Motion is GRANTED on an interim basis, as set forth herein.
2. The final hearing to consider the relief requested in the Motion shall be held on September 14, 2020, at 2:00 p.m. prevailing Eastern Time. Any objections or responses to entry of a final order on the Motion shall be filed on or before 4:00 p.m., prevailing Eastern Time, on September 8, 2020. In the event no objections to entry of the Final Order on the Motion are timely received, this Court may enter such Final Order without need for the final hearing.
3. Subject to the terms of this Interim Order, the Debtors are authorized, but not directed, to enter into and perform under Postpetition Hedging Arrangements with the Prepetition Lenders or their hedging affiliates and to honor, pay, or otherwise satisfy all obligations arising thereunder as they come due.
4. Notwithstanding the foregoing, unless the Prepetition Agent otherwise consents in writing, the Debtors shall not enter into Postpetition Hedging Arrangements with counterparties who have not signed the \$300,000,000 Senior Secured Exit Revolving Facility Commitment Letter dated August 15, 2020 with the Debtors, unless the Debtors have the right to terminate such Postpetition Hedging Arrangements if the Postpetition Hedging Arrangement would not be permitted under the exit facility approved by the Plan.

5. The Debtors shall provide Stroock & Stroock & Lavan LLP and Young, Conaway, Stargatt & Taylor, LLP as counsel to the ad hoc group of holders of the 8.750% senior notes due 2023, notice before entering into any Postpetition Hedging Arrangements.

6. Subject to the terms of this Interim Order, the Debtors are authorized, but not directed, to enter into and perform under Postpetition Hedging Arrangements; provided, however, that such Postpetition Hedging Arrangements shall not exceed 65% of the reasonably anticipated overall production from proved oil and gas properties for such calendar month.

7. As security and assurance of the Debtors' obligations arising under the Postpetition Hedging Arrangements and in exchange for counterparties to the Postpetition Hedging Arrangements providing benefits to the Debtors in accordance with this Interim Order:

- a. the counterparties to the Postpetition Hedging Agreements shall be granted liens and superpriority administrative claims *pari passu* in rank to the Adequate Protection Liens and Adequate Protection Claims, each as defined in the Cash Collateral Order, and in each case subject to the Carve Out and Permitted Liens (each as defined in the Cash Collateral Order³);
- b. to the extent that any obligation of the Debtors is granted superpriority administrative expense status that would otherwise be senior to the administrative expense status of the Postpetition Hedging Arrangements granted hereunder (other than the Carve Out and Permitted Liens), the Postpetition Hedging Arrangements shall, without the need for any further Court order, automatically be granted superpriority administrative expense status that is *pari passu* with that of such obligation;
- c. the Postpetition Hedge Providers may exercise any rights, powers and remedies under the Postpetition Hedging Arrangements, including, but not limited to, the right to set off, net, and apply any payment, settlement payment, termination values, termination payments, and any other amounts that such Postpetition Hedge Provider would be entitled to receive from any Debtor or otherwise be obligated to pay to any Debtor in connection with any Postpetition Hedge Arrangement solely in accordance with the terms of each agreement governing such Postpetition Hedge Arrangement; *provided* that

³ As used herein, "Cash Collateral Order" means the Debtors' proposed *Interim Order (A) Authorizing The Debtors To Use Cash Collateral, (B) Granting Adequate Protection, (C) Modifying The Automatic Stay, (D) Scheduling a Final Hearing, and (E) Granting Related Relief* (the "**Interim Cash Collateral Order**,") together with any order authorizing such relief on a final basis.

upon the occurrence and during the continuation of an event of default or a termination event (each as defined in agreements governing the Postpetition Hedging Arrangements), any Postpetition Hedge Provider shall have the right to suspend, terminate, liquidate, withhold performance or unwind its Postpetition Hedge Arrangement, set off and net transactions and apply any payment, settlement payment, termination values, termination payments to reduce permanently any Prepetition Claim (as defined in the Cash Collateral Order) owed to the Postpetition Hedge Provider upon notice by such Postpetition Hedge Provider to the Debtors solely in accordance with the applicable Postpetition Hedge Arrangement (in which case the Prepetition Lenders shall also have the right to apply any such amounts to reduce permanently any Prepetition Claim owed to such Prepetition Lenders in accordance with the terms of the Credit Agreement (as defined in the Cash Collateral Order), which rights shall not be stayed, avoided, or otherwise limited by operation of any provision of the Bankruptcy Code;⁴

- d. upon a Termination Date (as defined in the Cash Collateral Order), the Prepetition Lenders under the Debtors' prepetition revolving credit facility may apply any payment, settlement payment, termination values, termination payments, and any other amounts that any Postpetition Hedge Provider would be obligated to pay to any Debtor under any Postpetition Hedge Arrangement to reduce any Prepetition Claim owed to such Prepetition Lenders in accordance with the terms of the Credit Agreement (as defined in the Cash Collateral Order);
- e. the reorganized Debtors shall assume the agreements governing the Postpetition Hedging Arrangements under the Plan; and
- f. for the avoidance of doubt, the Debtors' rights under the Postpetition Hedging Arrangements constitute (i) solely for the purposes of exercising remedies under the prepetition revolving credit documents, Prepetition Collateral, and the Prepetition Agent is hereby granted, effective as of the date hereof, liens and security interests in the Postpetition Hedging Arrangements (such liens and security interests being automatically perfected without the necessity of execution by the Debtors (or recordation or other filing) of, including without limitation, security agreements, control agreements, pledge agreements, financing statements, mortgages or other similar documents, or by possession or control), and (ii) Adequate Protection Collateral under the Cash Collateral Order.

8. If any or all of the provisions of this Interim Order or the Cash Collateral Order are stayed, modified in a manner adverse to a counterparty to a Postpetition Hedging

⁴ For the avoidance of doubt, sections 362(b)(17) and (b)(27) of the Bankruptcy Code apply to the Postpetition Hedging Arrangements for the benefit of the Postpetition Hedge Providers, and, accordingly, relief from the automatic stay shall not be required in order to take any actions pursuant to sections 105(a), 560, and 561 of the Bankruptcy Code between the Debtors and the Postpetition Hedge Providers.

Arrangement or vacated, or this Interim Order otherwise terminates, such stay, modification, vacation, or termination will not affect (a) the validity of any indebtedness, obligation, or liability incurred by the Debtors to any of the counterparties before the receipt of written notice by the counterparties of the effective date of such stay, modification or vacation, (b) the validity or enforceability of the administrative claims, and the netting, termination, and other rights authorized or created hereby or pursuant to the Postpetition Hedging Arrangement or any related documents, or (c) the rights of the counterparties to exercise rights and remedies pursuant to the Postpetition Hedging Arrangement, and each counterparty shall be entitled to the benefits of the provisions of section 364(e) of the Bankruptcy Code.

9. The automatic stay provisions of section 362 and the setoff and netting provisions of section 553 of the Bankruptcy Code are hereby modified solely to the extent necessary to:

- a. permit immediate unconditional exercise and enforcement of the rights, powers and remedies, by the Postpetition Hedge Providers, the Prepetition Agent on behalf of the Postpetition Hedge Providers, and the Prepetition Agent on behalf of the Prepetition Lenders, set forth in paragraph 7(c) and (d) herein and the Postpetition Hedge Providers' rights thereunder shall not be modified, stayed, avoided, or otherwise limited by order of this Court or any court proceeding under the Bankruptcy Code, including, but not limited to, the right to collect from the Debtors amounts that may be owed to a Postpetition Hedge Provider following such termination and the right to withhold performance pursuant to the terms of any agreement governing a Postpetition Hedging Arrangements. The Debtors waive the right and shall not seek relief, including under section 105(a) or section 549 of the Bankruptcy Code, to the extent that any such relief would in any way restrict or impair the rights of the Prepetition Agent or any Postpetition Hedge Provider described herein; and
- b. permit the Prepetition Agent, on behalf of the Postpetition Hedge Providers, but without obligation to do so, to take all actions to validate and perfect the liens and security interests granted hereunder, including by filing or recording financing statements, intellectual property filings, mortgages, notices of lien, or similar instruments in any jurisdiction. For the avoidance of doubt, whether or not the Prepetition Agent chooses to file such financing statements, intellectual property filings, mortgages, notices of lien, or similar instruments, take possession of or control over, or otherwise confirm perfection of the liens

and security interests granted under this Interim Order, such liens and security interests shall be deemed valid, automatically perfected, allowed, enforceable, non-avoidable, and not subject to challenge, dispute, or subordination, as of the date hereof; and

- c. provide that the Prepetition Agent's, Postpetition Hedge Providers', and the Prepetition Agent's and Prepetition Lenders' rights, powers, privileges, and remedies under the agreements governing the Postpetition Hedging Arrangements, as applicable, and this Interim Order may not be modified, stayed, avoided, or otherwise limited by further order of the Court or any court proceeding under the Bankruptcy Code without the consent of such parties.

10. Nothing in this Interim Order or any action taken by the Debtors in furtherance of the implementation hereof shall be deemed to constitute an assumption or rejection of any executory contract or unexpired lease pursuant to section 365 of the Bankruptcy Code, and all of the Debtors' rights with respect to such matters are expressly reserved.

11. Notwithstanding the relief granted herein and any actions taken hereunder, nothing contained herein shall (a) create, nor is it intended to create, any rights in favor of, or enhance the status of any claim held by, any person or entity or (b) be deemed to convert the priority of any claims from a prepetition claim into an administrative expense claim.

12. Nothing in this Interim Order nor the Debtors' payment of claims pursuant to this Interim Order shall be construed as or deemed to constitute (a) an agreement or admission by the Debtors as to the validity of any claim against the Debtors on any ground, (b) a grant of third party beneficiary status or bestowal of any additional rights on any third party, (c) a waiver or impairment of any rights, claims or defenses of the Debtors' rights to dispute any claim on any grounds, (d) a promise by the Debtors to pay any claim, or (e) an implication or admission by the Debtors that such claim is payable pursuant to this Interim Order.

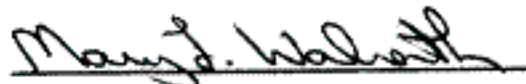
13. The requirements of Bankruptcy Rules 6003 and 6004(a) are satisfied by the contents of the Motion.

14. Any Bankruptcy Rule (including, but not limited to, Bankruptcy Rule 6004(h)) or Local Rule that might otherwise delay the effectiveness of this Interim Order is hereby waived, and the terms and conditions of this Interim Order shall be effective and enforceable immediately upon its entry.

15. The Debtors are authorized to take all such actions as are necessary or appropriate to implement the terms of this Interim Order.

16. The Court shall retain exclusive jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, and enforcement of this Interim Order.

Dated: August 18th, 2020
Wilmington, Delaware



MARY F. WALRATH
UNITED STATES BANKRUPTCY JUDGE