

**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)
)	
)	Hearing Date: Oct. 1 2020 at 10:30 a.m. (ET)
)	
)	
)	

**DECLARATION OF PAUL LEGOUDES IN SUPPORT OF CONFIRMATION
OF JOINT PREPACKAGED CHAPTER 11 PLAN OF REORGANIZATION OF
CHAPARRAL ENERGY, INC. AND ITS DEBTOR AFFILIATES**

I, Paul Legoudes, hereby declare under penalty of perjury pursuant to 28 U.S.C. § 1746 as follows:

1. I am a Managing Director of Opportune LLP ("**Opportune**"), an energy consulting services firm with offices in Houston, Dallas, Denver, New York City, and Tulsa. The above-captioned debtors and debtors in possession (collectively, the "**Debtors**") have retained Opportune as their restructuring advisor in these chapter 11 cases.²

2. Opportune is a leading global energy business advisory firm specializing in adding value to clients across the energy industry, including upstream, midstream, downstream, power

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 On September 10, 2020 the Court entered the *Order Authorizing Employment and Retention of Opportune LLP as Restructuring Advisor for the Debtors and Debtors in Possession Nunc Pro Tunc to the Petition Date* [Docket No. 162] (the "**Opportune Retention Order**").



and gas, commodities trading, and oilfield services. Opportune performs an array of financial, tax, accounting, restructuring advisory, and consulting services for companies throughout the oil and gas industry and has an intimate understanding of the economic, regulatory, operational, strategic, and financial factors that drive the oil and gas businesses.

3. I have a Bachelor of Business Administration degree in Accounting from Sam Houston State University in Huntsville, Texas, and a Master of Business Administration degree from the University of Texas Graduate School of Business in Austin, Texas.

4. I am a Managing Director in Opportune's Houston office, located at 711 Louisiana Street, Suite 3100, Houston, Texas 77002, where we have a team of approximately 300 advisory and technical professionals focused primarily on the oil and gas industry. I have over nineteen years of advisory experience, focusing on valuation for financial reporting, tax, restructuring, and litigation purposes in the oil and gas industry. Furthermore, I have substantial experience in performing valuations of business enterprises, oil and gas reserves, and intangible assets for an array of oil and gas companies, including in the upstream, midstream, and oilfield services segments of the oil and gas industry. As an advisor at Opportune, I have conducted numerous liquidation analyses, including for Energy XXI Ltd, Fieldwood Energy LLC, Gstar Exploration Inc., EXCO Resources, Inc., Vanguard Natural Resources Inc. and Rosehill Resources, Inc. Prior to joining Opportune, I was a Director in the Valuation practice at PricewaterhouseCoopers LLP and a Vice President at Duff & Phelps LLC. While at Opportune, PricewaterhouseCoopers and Duff & Phelps, I led valuation engagements for financial reporting, tax, and litigation support purposes.

5. I submit this declaration (this "**Declaration**") in support of confirmation of the *Debtor's Joint Prepackaged Chapter 11 Plan of Reorganization* [Docket No. 16] (as modified,

amended, or supplemented from time to time, the “**Plan**”),³ and particularly in support of the Plan’s satisfaction of section 1129(a)(7) of title 11 of the United States Code (the “**Bankruptcy Code**”).

6. Except as otherwise indicated, the statements set forth in this Declaration are based upon (i) my personal knowledge, (ii) discussions with members of the Debtors’ management team and the Debtors’ other advisors, (iii) review by me or those who report to me of relevant documents, (iv) information provided to me by employees of the Debtors or employees of Opportune who report to me, or (v) my opinion based on my experience and familiarity with the Debtors’ assets, business, operations, and financial condition. If called upon to testify, I can and will testify competently as to the facts and opinions set forth herein.

A. Background

7. Opportune has been engaged as a restructuring advisor to the Debtors since April 20, 2020. Since the retention of Opportune by the Debtors, approved by the Court on September 10, 2020 pursuant to the Opportune Retention Order, Opportune’s work for the Debtors has included, but has not been limited to, reviewing and analyzing the Debtors’ business, operations, and financial projections, communicating with lenders, other stakeholders, and their advisors. I am generally familiar with the Debtors’ overall day-to-day operations, business and financial affairs, and books and records, as well as the Debtors’ restructuring efforts.

B. The Liquidation Analysis Shows that the Plan Satisfies the “Best Interests” Test (11 U.S.C. § 1129(a)(7)).

8. Together with the Debtors’ counsel, I have reviewed the requirements for confirmation of the Plan under section 1129(a)(7) of the Bankruptcy Code. It is my understanding

³ Capitalized terms used but not defined herein have the meanings ascribed to them in the Plan.

from my general knowledge and professional experience that a chapter 11 plan would be considered to be in the “best interest of” the creditors and satisfy section 1129(a)(7) of the Bankruptcy Code, even if not accepted by each holder of an impaired claim or interest, if each holder of an impaired claim or interest would receive or retain under the plan property that, as of the plan’s effective date, has a value not less than the value such holder would receive or retain if the debtors were liquidated under chapter 7 of the Code on such date.

9. I am familiar with the terms and provisions of the Plan and the *Disclosure Statement for the Debtors’ Joint Prepackaged Chapter 11 Plan of Reorganization* [Docket No. 17] (the “**Disclosure Statement**”), and I, along with the employees of Opportune who report to me, prepared the illustrative liquidation analysis (the “**Liquidation Analysis**”) that is included as Exhibit F to the Disclosure Statement. The Liquidation Analysis was prepared assuming that the Debtors’ Chapter 11 Cases are converted to chapter 7 cases on September 30, 2020 (the “**Chapter 7 Conversion Date**”), the date on which the Debtors originally estimated that they would emerge from these Chapter 11 Cases. I incorporate the Liquidation Analysis by reference into this Declaration as the framework outlining my opinions concerning whether, under the Plan, the Holders of Claims and Interests in each Impaired Class will receive or retain property of a value, as of the Effective Date of the Plan, that is not less than the amount, if anything, that such Holders would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.

10. In connection with its work on the Liquidation Analysis, Opportune, among other things: (a) gathered asset and liability information from the Debtors; (b) held meetings with the Debtors’ management and other personnel to discuss such information and the market outlook; (c) performed discounted cash flow analyses of the Debtors’ assets, as appropriate; (d) reviewed and

considered certain guideline companies and precedent transactions for purposes of valuing the Debtors' assets, as appropriate; and (e) assisted the Debtors in estimating the likely amount of all Allowed Claims in each Impaired Class through, among other things, conversations with the Debtors' management and professionals and reviewing information in the Debtors' books and records; and (f) considered the possibility that additional Claims could be asserted and allowed in a chapter 7 liquidation, including various potential employee Claims, tax liabilities, additional rejection damages Claims, litigation Claims, wind down costs, and chapter 7 trustee and professional fees.

11. The Liquidation Analysis does not contemplate a sale of the Debtors' assets on a going-concern basis, because, based on my familiarity with the Debtors' assets and my professional experience, I do not believe that a going-concern sale of any of the Debtors' assets is likely in a liquidation scenario.

12. The Liquidation Analysis assumes the Debtors would be liquidated in a jointly administered and consolidated basis.

13. Based on my familiarity with the Debtors' assets, the current state of the oil and gas market, and my professional experience, I assumed in the Liquidation Analysis that it would take approximately three to six months to pursue an orderly sale of substantially all of the Debtors' assets.

14. Ultimately, based on my restructuring knowledge and experience, my familiarity with the Debtors' business and capital structure, and the Liquidation Analysis, I submit that the Plan will provide all creditors and equity holders with a recovery (if any) that is not less than what they would otherwise receive pursuant to a liquidation of the Debtors under chapter 7 of the Bankruptcy Code, and therefore submit that the Plan satisfies the requirement of section 1129(a)(7)

of the Bankruptcy Code.

15. The primary assets owned by the Debtors include: (1) oil and gas properties, (2) cash and cash equivalents and (3) accounts receivable. To determine the liquidation value of the Debtors' oil and gas properties, I utilized the income approach (discounted cash flow method) for developed properties⁴ and the market approach (recent leasing activity) for undeveloped properties to arrive at a liquidation value in the range of \$160 million to \$215 million for the Debtors' oil and natural gas properties.⁵ The liquidation value of the Debtors' cash and cash equivalents is based on the Debtors' forecasted cash balance as of the expected Chapter 7 Conversion Date, which value is expected to be fully recoverable. Based on my review of the Debtors' accounts receivable, which include receivables arising out of the sale of oil and gas and amounts due from joint interest billing partners, as well as my professional experience, I estimated in the Liquidation Analysis the Debtors could recover 84% to 92% of their accounts receivable in a liquidation.

16. Based on this liquidation-value analysis, I determined the projected recoveries that would result from the liquidation of the Debtors in a hypothetical conversion to chapter 7 of the Bankruptcy Code.

17. Estimated Plan recoveries were determined, where applicable, based on the valuation analysis prepared by the Debtors' investment banker, Intrepid Partners, LLC ("**Intrepid**"), included as Exhibit E to the Disclosure Statement (the "**Valuation Analysis**"). The

⁴ For purposes of the income approach, I considered the Debtors' reserve report with an effective date of October 1, 2020, using the NYMEX strip as of July 15, 2020, with adjustments for risking, inflation, corporate general and administrative expense, and federal income taxes. The projected cash flows were discounted to present value based on a weighted average cost of capital estimated using guideline companies.

⁵ This valuation assumes that the oil and natural gas properties would be marketed and sold by a qualified investment bank or firm that specializes in managing oil and gas acquisitions and divestitures over a 3-6 month period, and that the chapter 7 trustee would not incur additional risk or have access to capital necessary to continue development, drilling, or completion of the oil and gas assets other than to the extent necessary to maintain material portions of value.

Valuation Analysis ascribes an estimated range of values to the equity in the Reorganized Debtors to be distributed to certain holders of Claims and Interests under the Plan.

18. The projected recoveries under the Plan and the results of the Debtors' Liquidation Analysis for all Holders of Claims and Interest are as follows:

Claim	Recovery (%)	
	Plan	Liquidation
Class 1 – Other Secured Claims	100%	100%
Carve-Out Claims	n/a	100%
Class 3 – RBL Claims	100%	92% - 100%
Chapter 11 Administrative Claims	100%	72% - 100%
Class 2 – Other Priority Claims	100%	0% - 100%
Priority Tax Claims	100%	0% - 100%
Class 4 – Senior Notes Claims	15% - 47%	0% - 12%
Class 5 – General Unsecured Claims	100%	0% - 12%
RBL Deficiency Claims	n/a	0%
Class 6 – Intercompany Claims	n/a	0%
Class 7 – Intercompany Interests	n/a	0%
Class 8 – Chaparral Parent Equity Interests	n/a	0%
Class 9 – Other Chaparral Parent Interests	n/a	0%

C. Conclusion

19. The Plan preserves the Debtors' business as a going concern, results in superior recoveries to creditors, and best positions the Reorganized Debtors for success following emergence from chapter 11 for the benefit of all their stakeholders. Based on the foregoing analysis, the stakeholders who are not receiving distributions under the Plan would receive no distribution in a hypothetical chapter 7 liquidation, and the impaired stakeholders who are receiving distributions under the Plan will receive greater or equal distributions under the Plan than under a hypothetical chapter 7 liquidation. Based on the foregoing analysis, the Impaired Class will receive or retain under the Plan on account of their Claims a value, as of the Effective Date of the Plan, that is not less than the amount such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date. As such, the Plan meets the "best interests" test.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct to the best of my knowledge, information, and belief.

Houston, Texas
September 29, 2020

/s/ Paul Legoudes

Paul Legoudes
Managing Director
Opportune LLP