

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)
CHAPARRAL ENERGY, INC., *et al.*,¹) Chapter 11
Debtors.) Case No. 20-11947 (MFW)
) (Jointly Administered)
) **Hearing Date: Oct. 1 2020 at 10:30 a.m. (ET)**
)
)
)

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

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

1. I am a Managing Director at Intrepid Partners, LLC (“Intrepid”), which is the investment banking subsidiary of Intrepid Financial Partners, LLC. Intrepid is an independent, energy-focused merchant bank with offices in New York City and Houston. The above-captioned debtors and debtors in possession (collective, the “Debtors”) have retained Intrepid as their investment banker in these chapter 11 cases.²

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 Approving Application of Debtors For Authority to (I) Employ and Retain Rothschild & Co US Inc. and Intrepid Partners, LLC as Investment Bankers For the Debtors Nunc Pro Tunc to the Petition Date and (II) Waive Certain Information Disclosure Requirements* [Docket No. 116] (the “Intrepid Retention Order”).



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2. Intrepid has extensive experience in providing high quality financial-advisory and investment-banking services to companies, investors, and other participants in the energy industry, with a specific focus on the North American oil and gas sector. Intrepid has broad and deep expertise providing oil and gas clients specialized advice on matters including, but limited to, restructuring, mergers, acquisitions, capital structure advisory, and capital raises. Intrepid has served as financial and strategic advisor in numerous reorganization cases within the energy industry, including: *In re Fieldwood Energy, LLC*, No. 20-33948 (MI) (Bankr. S.D. Tex. Aug. 3, 2020); *In re Rosehill Resources, Inc.*, No. 20-33695 (Bankr. S.D.Tex. July 26, 2020); *In re EXCO Resources, Inc.*, No. 18-30155 (MI) (Bankr. S.D. Tex. Apr. 19, 2018); *In re Emerald Oil, Inc.*, No. 16-10704 (KG) (Bankr. D. Del. Apr. 26, 2016). Intrepid's professionals have also provided investment banking services in other chapter 11 cases and out-of-court restructurings and recapitalizations, including among others: EV Energy Partners, LP, Goodrich Petroleum Corporation, Halcon Resources Corporation, Knight Oil Tools, Linn Energy, LLC, Quicksilver Resources Inc., and Stone Energy Corporation. In addition, the senior professionals of Intrepid have advised oil and gas companies like the Debtors on dozens of M&A, strategic advisory and financing transactions, including among others: Buckeye Partners, L.P., Contango Oil & Gas Company, Elite Compression Services, LLC, Energy XXI Gulf Coast, Inc., EnVen Energy Corporation, Extraction Oil & Gas, Inc., Harvest Oil & Gas Corp, NuStar Energy LP, Sanchez Energy Corporation, and Vitesse Energy, LLC.

3. I have a Bachelor of Science degree in Mechanical Engineering from the Georgia Institute of Technology in Atlanta, Georgia, and a Master of Business Administration degree from the Emory University Goizueta Business School in Atlanta, Georgia.

4. I am a Managing Director at Intrepid's Houston office, located at 1201 Louisiana Street, Suite 600, Houston, TX 77002, and I am principally responsible for the day-to-day activities of the Intrepid transaction team advising the Debtors. I have approximately 12 years of investment banking experience, with specific focus on the oil and gas exploration and production sector. Prior to joining Intrepid, I was a Senior Vice President in the energy investment banking group at Jefferies LLC and previously an Associate in the energy investment banking group at Wells Fargo Securities, LLC.

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").

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 Intrepid 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

8. Prior to filing these chapter 11 cases, the Debtors retained Intrepid to serve as their investment banker in April 2019 to advise on merger and acquisition alternatives. Thereafter, in December 2019, Rothschild & Co ("Rothschild") and Intrepid were jointly engaged to advise the Debtors on balance sheet improvement and liability management alternatives and entered into an engagement letter in April 2020, at which time Intrepid undertook a broader evaluation of balance sheet alternatives.

9. In providing prepetition services to the Debtors in connection with these matters, Intrepid's professionals have worked closely with the Debtors' management and the Debtors' other professionals, including Rothschild, and have become well-acquainted with the Debtors' operations, debt structure, creditors, business and operations, and related matters. These efforts included (a) working cooperatively with the Debtors' other professionals to explore various strategic and financial restructuring alternatives, (b) reviewing the Debtors' business plan and operating assumptions, (c) reviewing the Debtors' debt and capital structure, and (d) actively engaging in negotiations with key financial creditors.

10. Since the retention of Intrepid by the Debtors, approved by the Court on September 10, 2020 pursuant to the Intrepid Retention Order, Intrepid's work for the Debtors has included, but has not been limited to, continuing to assist management in its formulation, analysis, and implementation of various strategic and capital structure alternatives. Intrepid has also worked closely with the Debtors and their other professionals in connection with implementing the restructuring contemplated by the Debtors' restructuring support agreement and the Plan.

11. 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. I have played an active role in the development of the Plan, and I am familiar with the Plan's terms, as well as the negotiations that led to its development.

B. The Valuation is Reasonable.

12. 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 Intrepid who report to me, worked closely with the Debtors, and prepared the valuation analysis (the "Valuation Analysis")

that is included as Exhibit E to the Disclosure Statement. The Valuation Analysis estimates a range of the total enterprise value (“**Total Enterprise Value**”) and implied equity value (“**Plan Equity Value**”) of the Debtors on a going concern basis and pro forma for the transactions contemplated by the Plan. I incorporate the Valuation Analysis by reference into this Declaration as the framework outlining my opinion concerning whether the valuation is reasonable.

13. The Valuation Analysis was prepared by myself and professionals under my supervision. I am familiar with the methods used, and the conclusions reached, in the preparation of the Valuation Analysis. I have reviewed the material assumptions included in the Valuation Analysis and I believe that the assumptions embodied therein were prepared in good faith and are reasonable and appropriate to provide the foundation for the Valuation Analysis, and the Plan.

14. More specifically, Intrepid relied on a risked net asset value analysis to determine the value of the Debtors. The Valuation Analysis was performed utilizing pricing as of July 15, 2020 and assuming a Plan effective date of September 30, 2020 (the “**Assumed Effective Date**”). Based on the materials and data provided to Intrepid and my experience, and as stated in the Valuation Analysis, it is my expert opinion that the estimated Total Enterprise Value from operations of the Debtors is in the range of approximately \$230 million to approximately \$320 million, with a mathematical midpoint estimate of approximately \$275 million, as of the Assumed Effective Date.

15. In addition, based on estimated pro forma net debt of \$160 million as of the Assumed Effective Date, the estimated Total Enterprise Value of the Debtors results in a Plan Equity Value of \$70 million to \$160 million with a mathematical midpoint estimate of

approximately \$115 million. Intrepid has assumed no material changes that would affect estimated value between the date of the Disclosure Statement and the Assumed Effective Date.

C. Valuation Methodology

16. As described more fully in the Valuation Analysis, Intrepid relied upon risked net asset value analysis (“NAV”) to determine the value of the Debtors. The NAV approach seeks to value the Debtors by estimating the Total Enterprise Value of the Debtors by calculating the sum of the present value of expected future cash flows to be generated by the Debtor’s oil and gas reserves, adjusted for other items, such as the estimated value of the Debtors’ property and equipment, and the estimated impact of corporate level general and administrative expense and asset retirement obligations. In utilizing the NAV approach, Intrepid applied both the Reserve Adjustment Factor (“RAF”) method and Risk-Adjusted Discount Rate (“RADR”) method of estimating net asset value. As described in more detail in Exhibit E to the Disclosure Statement, the RAF method values the reserves by applying various reserve adjustment factors to the pre-tax present value (utilizing a 10% discount rate) of the future cash flows generated by the reserves, and the RADR method values the reserves by applying various risk-adjusted discount rates to the cash flows associated with each reserve category. The underlying reserve adjustment factors and risk-adjusted discount rates are based on oil and gas exploration and production industry standard guidance from The Society of Petroleum Evaluation Engineers 38th Annual Survey of Parameters.

17. While Intrepid considered and evaluated both (i) a comparable company analysis and (ii) a precedent transaction analysis, Intrepid ultimately determined that each of these valuation methodologies were limited in their applicability under the specific circumstances of the Valuation Analysis, and therefore excluded them when determining the estimated Total

Enterprise Value of the Debtors, as described in more detail in Exhibit E to the Disclosure Statement.

18. In estimating the Total Enterprise Value of the Debtors, I consulted with the Debtors' senior management team to discuss the Debtors' assets, operations, and future prospects, reviewed the Debtors' historical financial information, reviewed certain of the Debtors' internal financial and operating data, reviewed the Debtors' financial projections for the Debtors provided in Exhibit D to the Disclosure Statement, and reviewed publicly available third party information. In preparing the Valuation Analysis, I relied upon the accuracy, completeness, and fairness of financial and other information furnished by the Debtors. I did not attempt to independently audit or verify such information, nor did I perform an independent appraisal of the assets or liabilities of the Debtors. In connection with my work providing investment banking and valuation services to companies, I frequently rely on projections and financial data provided by and prepared by other entities, and it is common for experts in my field to rely on such projections and data. The assumed range of the Total Enterprise Value, as of the Assumed Effective Date, reflects work performed by Intrepid on the basis of information with respect to the business and assets of the Debtors available to Intrepid as of the date hereof. As disclosed in the Disclosure Statement, the future results of the Debtors are dependent upon various factors, many of which are beyond the control or knowledge of the Debtors and Intrepid, and consequently are inherently difficult to project.

D. Conclusion

19. Based on the foregoing, in my expert opinion, the Valuation Analysis performed by Intrepid is reasonable.

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

Houston, Texas
September 29, 2020

/s/ David R. Gehring
David R. Gehring
Managing Director
Intrepid Partners, LLC