

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

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<i>In re:</i>	:	Chapter 11
	:	
ENDEAVOUR OPERATING CORPORATION, et al.,¹	:	Case No. 14–12308 (KJC)
	:	
Debtors.	:	(Jointly Administered)
	:	
	:	
	X	

**BID PROCEDURES FOR THE SALE
OF SUBSTANTIALLY ALL OR A PORTION OF THE U.S. DEBTORS’ ASSETS**

Endeavour Operating Corporation and its above-captioned debtor affiliates, as debtors and debtors in possession (collectively, the “**Debtors**”), set forth the following bid procedures (the “**Bid Procedures**”) to be employed in connection with an auction, if the Debtors receive one or more timely and acceptable Qualified Bids (the “**Auction**”), for the sale of substantially all of the Assets (as defined herein). At a hearing following the Auction (the “**Sale Hearing**”), the Debtors will seek the entry of an order (the “**Sale Order**”) from the United States Bankruptcy Court for the District of Delaware (the “**Court**”) authorizing and approving the transactions contemplated by the Asset Purchase Agreement, a form of which is attached to the Motion as **Exhibit C** (as may be subsequently amended, the “**Asset Purchase Agreement**”) among the applicable Debtors and the Qualified Bidder(s) (as defined herein) that the Debtors determine, in consultation with the Official Committee of Unsecured Creditors (the “**Committee**”), certain of the holders of the 12% Notes due March 2018 and the 12% Notes due June 2018 (the “**Ad Hoc Group of Prepetition Priority Noteholders**”), certain secured lenders (the “**Ad Hoc Group of EEUK Term Loan Lenders**”) under that certain Amended and Restated Credit Agreement by and among Endeavour International Holding B.V. and END Finco LLC, Endeavour International Corporation, the Lenders Party Thereto, and Credit Suisse AG, Cayman Islands Branch (the “**EEUK Term Loan**”) to have made the highest or otherwise best bid(s) (each, a “**Successful Bidder**”). The Asset Purchase Agreement provides for the transfer of the Debtors’ right, title, and interest in, to and under substantially all of the Assets. These Bid Procedures have been approved and authorized pursuant to the *Order Approving (A) Bid Procedures, Including Procedures for Selection of Stalking Horse Purchasers, (B) Procedures for Assumption and Assignment of Certain Executory Contracts and Unexpired Leases and Related Notices, (C) Notice of Auction, Stalking Horse Hearing, and Sale Hearing, and (D) Related Relief* (the “**Bid Procedures Order**”) entered by the Court on May 20, 2015.

¹ The Debtors in these chapter 11 cases and the last four digits of each Debtor’s taxpayer identification number are as follows: Endeavour Operating Corporation (6552); Endeavour International Corporation (8389); Endeavour Colorado Corporation (0067); END Management Company (7578); Endeavour Energy New Ventures Inc. (7563); Endeavour Energy Luxembourg S.à r.l. (2113). The Debtors’ principal offices are located at 811 Main Street, Suite 2100, Houston, Texas 77002.

Approvals

The proposed sale(s) shall in all respects be subject to approval by the Court and in compliance with: (i) the applicable provisions of chapter 11 of title 11 of the United States Code (the “*Bankruptcy Code*”); (ii) the Federal Rules of Bankruptcy Procedure (the “*Bankruptcy Rules*”); and (iii) other applicable rules and law, including, without limitation, the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “*Local Rules*”) and Orders of the Bankruptcy Court.

Assets to Be Sold

The Auction shall consist of all of the U.S. Debtors’ assets owned or used in the Debtors’ business operations, including, but not limited to, their oil and gas properties located within the U.S., wells, equipment, information and data, contracts, permits, their equity interests in Endeavour International Holding B.V. and Endeavour Colorado Corporation, payment rights, including the receivable under the intercompany note issued pursuant to that certain Intercompany Loan Agreement dated May 31, 2012 between Endeavour Operating Corporation and Endeavour Energy UK Limited, and intangible rights (collectively, the “*Assets*”).

Preliminary Diligence

Upon execution of a valid confidentiality agreement, in form and substance satisfactory to the Debtors, any prospective bidder (each, a “*Potential Bidder*”) identified by the Debtors as reasonably likely to be a Qualified Bidder (as defined herein) that wishes to conduct due diligence on any of the Assets may be granted access to all material information regarding the Debtors, provided that, if any Potential Bidder is (or is affiliated with) a competitor of the Debtors, the Debtors will not be required to disclose to such Potential Bidder any trade secrets or proprietary information unless the confidentiality agreement executed by such Potential Bidder contains appropriate provisions to ensure that such trade secrets or proprietary information will not be used for an improper purpose or to gain an unfair competitive advantage.

The Debtors shall coordinate all reasonable requests for additional information and due diligence access from Potential Bidders. All due diligence requests shall be directed to Blackstone Advisory Services, L.P., Attn: Jonathan Lurvey and Joseph Terry, 345 Park Avenue, New York, NY 10154, E-mail: Lurvey@blackstone.com and Joseph.Terry@blackstone.com; Tel: (212) 583-5584 or (212) 390-2451. None of the Debtors, their affiliates, or any of their respective representatives is obligated to furnish any information relating to the properties or equity interest in any of the respective Debtors other than a Potential Bidder. If the Debtors determine that a Potential Bidder does not constitute a Qualified Bidder, then such Potential Bidder shall not be entitled to receive due diligence access or additional non-public information.

In the event that the Debtors designate a Stalking Horse Purchaser, and such Stalking Horse Purchaser intends to assert that there are one or more Defects (as defined in the Asset Purchase Agreement) giving rise to a claim for reduction in the purchase price, such Stalking Horse Purchaser must deliver a written notice of all Defects asserted by the Stalking Horse Purchaser (the “*Defect Notice*”) in accordance with the procedures listed in Section 11.01 of the Asset Purchase Agreement by **August 3, 2015 at 5:00 p.m. (prevailing Eastern Time)**, as well as all internal or external engineering or other reports (and work papers related thereto

reflecting information with respect to the Assets to which each asserted Defect relates) prepared by or for the Stalking Horse Purchaser with respect to the Assets forming the basis of any Defect asserted by the Stalking Horse Purchaser in the Defect Notice or the dollar amount or value thereof (the “**Defect Reports**”). The Debtors may deliver copies of the Defect Reports to any Potential Bidder.

If a Stalking Horse Purchaser is designated, each other Potential Bidder must, by the Bid Deadline, either (i) accept the title and environmental diligence performed by the Stalking Horse Purchaser and adopt any Defect Notice submitted by the Stalking Horse Purchaser as the Defect Notice of such other Potential Bidder, (ii) have completed any and all of its own title and environmental diligence and submitted its own Defect Notice, or (iii) have reached agreement with the Debtors as to when such title and environmental diligence should be completed. If a Stalking Horse Purchaser is not designated, any bidder(s) determined by the Debtors to have made the highest or otherwise best bid(s) (each, a “**Successful Bidder**”) may perform any and all title and environmental due diligence after the conclusion of the Auction and must complete such title and environmental diligence and submit its Defect Notice prior to the Sale Hearing, in accordance with Article XI of the Asset Purchase Agreement. There shall be no other provision for the completion of due diligence after the Bid Deadline.

Bid Deadline

Any person or entity interested in participating in the Auction must submit a Qualified Bid (as defined herein) on or before **August 4, 2015 at 5:00 p.m. (prevailing Eastern Time)** (the “**Bid Deadline**”) in writing, to the attorneys for the Debtors, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153 (Attn: Gary T. Holtzer, Esq. and Stephen A. Youngman, Esq.), E-mail: Gary.Holtzer@weil.com and Stephen.Youngman@weil.com, Phone: (212) 310-8463 and (214) 746-7758. The Debtors may, with the consent of any designated Stalking Horse Purchaser(s), if any, extend the Bid Deadline, but shall promptly notify the Stalking Horse Purchaser(s) and all Potential Bidders of any such extension. A summary (and, upon request, full copies) of all Qualified Bids shall be provided, on a professionals’ eyes only basis, to the advisors to (i) the Ad Hoc Group of Prepetition Priority Noteholders, (ii) the Ad Hoc Group of EEUK Term Loan Lenders, and (iii) the Committee by **August 7, 2015 at 5:00 p.m. (prevailing Eastern Time)**, which deadline is subject to extension if the Bid Deadline is extended.

Potential Stalking Horse Bid

The Debtors will entertain, in consultation with the Ad Hoc Group of Prepetition Priority Noteholders, the Ad Hoc Group of EEUK Term Loan Lenders, and the Committee, the possibility of entering into one or more Stalking Horse Agreements with one or more of the Qualified Bidders. Any and all Potential Bidders interested in becoming a Stalking Horse Purchaser must submit a Qualified Bid by **June 22, 2015 at 5:00 p.m. (prevailing Eastern Time)**. Any and all Stalking Horse Purchasers must be so designated by the Debtors by **July 8, 2015 at 5:00 p.m. (prevailing Eastern Time)**.

If the Debtors enter into an agreement with one or more Stalking Horse Purchasers, the Debtors will file and serve notice of the proposed Stalking Horse Agreement(s) on the Notice Parties (as defined in the Motion). The notice will include (i) the identity of each

proposed Stalking Horse Purchaser selected, (ii) a summary of the key terms of each Stalking Horse Agreement, (iii) a summary of the type and amount of Bid Protections, if any, being offered to each proposed Stalking Horse Purchaser, (iv) a summary of any necessary modifications or amendments to the Bid Procedures, and (v) a copy of each Stalking Horse Agreement. The Debtors will request that the Court set a hearing on **July 21, 2015 at 10:00 a.m. (prevailing Eastern Time)** to approve the Stalking Horse Purchaser and Stalking Horse Agreement on an expedited basis.

In certain circumstances, the Debtors may determine, in consultation with the Ad Hoc Group of Prepetition Priority Noteholders, the Ad Hoc Group of EEUK Term Loan Lenders, and the Committee, that it is appropriate to provide some or all of the Stalking Horse Purchasers with Bid Protections, including a break-up fee or expense reimbursement. All Bid Protections will be negotiated at arm's length with Potential Bidders and with the intent of maximizing the value to be received by the Debtors' estates, and the Debtors shall provide evidence at the Stalking Horse Hearing to the extent necessary to prove that the Bid Protections are appropriate under the circumstances and should be approved by the Court. Any objections to the approval of any Stalking Horse Purchaser, Stalking Horse Agreement, and Bid Protections must be filed no later than **July 14, 2015 at 4:00 p.m. (prevailing Eastern Time)**. The Debtors must file replies, if any, to such objections by **July 17, 2015 at 4:00 p.m. (prevailing Eastern Time)**.

Any and all Stalking Horse Purchasers approved at the Stalking Horse Hearing shall be deemed to be Qualified Bidders, and any Modified Asset Purchase Agreements (as defined herein) and the transactions contemplated thereby shall be deemed to be Qualified Bids for all purposes.

Qualified Bids

To participate in the bidding process and be deemed a "***Qualified Bidder***," each Potential Bidder must submit a "***Qualified Bid***" by the Bid Deadline. To constitute a Qualified Bid, a bid must:

- (a) be in writing;
- (b) identify the Assets, or the portion thereof, to be purchased, the liabilities, if any, to be assumed, and (i) the cash purchase price (and, if the bidder is interested in being designated a Stalking Horse Purchaser, include any proposed adjustments to the purchase price based on title or environmental defects) and (ii) any credit bid consideration;
- (c) include a proposed list of the Debtors' 365 Contracts that the Potential Bidder proposes be assumed, assigned, and sold to it in connection with the transaction (the "***Desired 365 Contracts***") and proposed adequate assurance of future performance;
- (d) fully disclose the legal identity of each entity that will be bidding for the applicable Assets or otherwise participating in connection with such bid, and the complete terms of any such participation;

- (e) fully disclose any connections or agreements with the Debtors, any other known Potential Bidder or Qualified Bidder, and/or any officer or director of the Debtors;
- (f) provide an irrevocable offer in the form of an executed copy of the Asset Purchase Agreement (with any modifications, the “*Modified Asset Purchase Agreement*”), including all exhibits and schedules contemplated thereby (other than exhibits and schedules that by their nature must be prepared by the Debtors);
- (g) include a marked copy of the Modified Asset Purchase Agreement reflecting the differences between the Modified Asset Purchase Agreement and the Asset Purchase Agreement;
- (h) state that such bidder is financially capable of consummating the transactions contemplated by the Modified Asset Purchase Agreement and detail the source(s) of funds that will be used to consummate the transactions;
- (i) include satisfactory evidence of committed financing or other financial ability to consummate the transactions contemplated by the Modified Asset Purchase Agreement in a timely manner;
- (j) expressly acknowledge and represent that the Potential Bidder (i) has had an opportunity to conduct any and all due diligence regarding the business and assets of the Debtors prior to making its bid (unless the bidder (x) has been designated a Stalking Horse Purchaser, in which case such bidder must perform any and all title and environmental due diligence and submit any Defect Notice by **August 3, 2015 at 5:00 p.m. (prevailing Eastern Time)**, or (y) the Debtors have not designated a Stalking Horse Purchaser, in which case any Successful Bidder at the Auction may perform any and all title and environmental due diligence after the conclusion of the Auction and as contemplated by Article XI of the Asset Purchase Agreement), (ii) has relied solely upon its own independent review, investigation, and/or inspection of any documents and the Assets in making its Bid, and (iii) did not rely upon any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express, implied, by operation of law, or otherwise, regarding the business or Assets or the completeness of any information provided in connection therewith, except as expressly stated in the representations and warranties contained in the Modified Asset Purchase Agreement ultimately accepted and executed by the applicable Debtors;
- (k) not contain any financing contingencies of any kind;

- (l) not contain any condition to closing of the transaction on the receipt of any third party approvals (excluding required Court approval and any required governmental and/or regulatory approval, if any);
- (m) include evidence of authorization and approval from the bidder's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the Modified Asset Purchase Agreement;
- (n) state the specific person(s) whom the Debtors' financial advisors, Blackstone Advisory Services L.P., should contact in the event that the Debtors have any questions or wish to discuss the Modified Asset Purchase Agreement;
- (o) include a good faith deposit (the "***Good Faith Deposit***") in the form of a certified or bank check (or other form acceptable to the Debtors in their sole and absolute discretion) payable to the order of Endeavour International Corporation in an amount equal to ten (10%) percent of the purchase price offered to purchase the Assets. All Good Faith Deposits shall be held in a segregated account by the Debtors until no later than ten (10) days after the Sale Hearing and thereafter returned to the respective bidders in accordance with these Bid Procedures, unless the bidder has been selected as the Back-Up Bidder (as defined herein).

The Debtors shall make a determination regarding whether a bid is a Qualified Bid and shall notify bidders whether their bids have been determined to be Qualified Bids by no later than **August 7, 2015 at 5:00 p.m. (prevailing Eastern Time)**. To the extent a Stalking Horse Purchaser is designated, the Stalking Horse Purchaser will be deemed a Qualified Bidder, and any Stalking Horse Agreement will constitute a Qualified Bid for all purposes.

The Debtors will consider bids for less than a substantial (but nevertheless a material) portion of the Assets. In this regard, with the goal and primary purpose of selling substantially all of the Assets, the Debtors, in their sole and absolute discretion, may accept as a single Qualified Bid, multiple bids for non-overlapping material portions of the Assets such that, when taken together in the aggregate, such bids would otherwise meet the standards for a single Qualified Bid. The Debtors may permit otherwise Qualified Bidders who submitted bids by the Bid Deadline for less than a substantial (but nevertheless a material) portion of the Assets but who were not identified as a component of a single Qualified Bid consisting of such multiple bids, to participate in the Auction and to submit higher or otherwise better bids that in subsequent rounds of bidding may be considered, together with other bids for non-overlapping material portions of the Assets, as part of such a single Qualifying Bid for overbid purposes.

Auction, Auction Procedures, and Overbids

In the event that the Debtors receive one or more timely Qualified Bids with an acceptable purchase price, the Debtors shall conduct the Auction. The Auction, if required, will be conducted at the offices of Opportune LLP, 711 Louisiana Street, Suite 3100, Houston, Texas

77002 on **August 11, 2015 at 9:30 a.m. (prevailing Central Time)**, or such other location as designated by the Debtors in a notice to all Qualified Bidders. The Debtors shall have the right to conduct any number of Auctions on such date to accommodate Qualified Bids for certain, but less than all, of the Debtors' Assets if the Debtors determine, in their business judgment, that such process would be in the best interest of the Debtors' estates. The Debtors have the sole right to adjourn or cancel the Auction at or prior to the Auction. If the Auction is cancelled or if the date, time, or place of the Auction is changed, the Debtors will file a notice with the Court regarding such cancellation or modification and will publish the notice on the website of the Debtors' court approved claims agent, Kurtzman Carson Consultants LLC, at www.kccllc.net/endeavour.

The Auction shall be governed by the following procedures, subject to modification by the Debtors at the Auction:

- (a) The Qualified Bidders shall appear in person at the Auction, or through a duly authorized representative.
- (b) Only representatives of the Debtors, makers of Qualified Bids, and advisors for the Ad Hoc Group of Prepetition Priority Noteholders, the Ad Hoc Group of EEUK Term Loan Lenders, and the Committee shall be entitled to be present at the Auction. Any and all other creditors interested in attending the Auction must provide the Debtors with notice of their intent to attend the Auction no later than ten (10) days before the Auction by sending a fax or e-mail to counsel for the Debtors, Weil, Gotshal & Manges LLP (Attn: Jessica Liou, Esq. and Debra McElligott, Esq.), Email: Jessica.Liou@weil.com and Debra.McElligott@weil.com; Fax: (212) 310-8007. The Debtors may object to and request a hearing regarding the attendance of any particular creditor at the Auction.
- (c) Only the Qualified Bidders shall be entitled to make any subsequent bids at the Auction.
- (d) Each Qualified Bidder shall be required to confirm that it has not engaged in any collusion with respect to the bidding or the sale.
- (e) Bidding shall commence at the amount of the Qualified Bid or combination of Qualified Bids that the Debtors, in consultation with the Ad Hoc Group of Prepetition Priority Noteholders, the Ad Hoc Group of EEUK Term Loan Lenders, and the Committee, determine in their business judgment to be the highest or best Qualified Bid (the "**Initial Highest Bid**").
- (f) Qualified Bidders may then submit successive bids higher than the previous bid, based on and increased from the Initial Highest Bid, in increments of \$250,000. The Debtors reserve the right, in their discretion and subject to the exercise of their business judgment, to announce

reductions or increases in minimum incremental bids at any time during the Auction.

- (g) All Qualified Bidders shall have the right to submit additional bids and make additional modifications to the Asset Purchase Agreement or their respective Modified Asset Purchase Agreement, as applicable, at the Auction to improve such bids.
- (h) The Auction may include individual negotiations with the Qualified Bidders and/or open bidding in the presence of all other Qualified Bidders.
- (i) The Debtors reserve the right to (x) determine, in their reasonable discretion and in consultation with the Ad Hoc Group of Prepetition Priority Noteholders, the Ad Hoc Group of EEUK Term Loan Lenders, and the Committee, which bid is the highest or otherwise best and (y) reject at any time, without liability, any offer that the Debtors, in their reasonable discretion, deem to be (1) inadequate or insufficient, (2) not in conformity with the requirements of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, or procedures set forth therein or in the Bid Procedures Order, or (3) contrary to the best interests of the Debtors and their estates.
- (j) The Auction among Qualified Bidders shall continue according to these procedures until the Debtors determine, in consultation with the Ad Hoc Group of Prepetition Priority Noteholders, the Ad Hoc Group of EEUK Term Loan Lenders, and the Committee, and subject to Court approval, that the Debtors have received Successful Bid(s). In making this decision, the Debtors may consider, without limitation, the amount of the purchase price, the form of consideration being offered, the likelihood of the Qualified Bidders' ability to close a given transaction, the proposed timing thereof, and rights of such Qualified Bidder and the Debtors with respect to the termination thereof, the number, type and nature of any changes reflected in the Modified Asset Purchase Agreement requested by each Qualified Bidder, and the net benefit to the Debtors' estates. The Qualified Bidder(s) submitting such Successful Bid(s) for the Assets shall become the Successful Bidder(s) and shall have such rights and responsibilities of a purchaser, as set forth in the Modified Asset Purchase Agreement or Asset Purchase Agreement, as applicable.
- (k) The Auction shall be transcribed or videotaped.

Bids made after the close of the Auction shall not be considered by the Debtors. All Qualified Bidders at the Auction shall be deemed to have consented to the exclusive jurisdiction of the Court and waived any right to a jury trial in connection with any disputes relating to the Auction.

On or before **August 14, 2015**, the Debtors shall cause the results of the Auction, including a copy of the Successful Bid(s), the identity of the Successful Bidders, and each Successful Bidder's proposed form of adequate assurance of future performance, to be filed with the Court and published on the website of the Debtors' court approved claims agent, Kurtzman Carson Consultants LLC, at www.kccllc.net/endeavour.

Back-Up Bidder and Return of Good Faith Deposits

If an Auction is conducted, the Qualified Bidder with the next highest or otherwise best Qualified Bid for the Assets at the Auction (the "***Back-Up Bid***") shall be required to serve as the back-up bidder (the "***Back-Up Bidder***") for such Assets and keep such Back-Up Bid open and irrevocable until the first to occur of (i) sixty (60) days after the completion of the Auction, (ii) consummation of the transaction with the Successful Bidder, or (iii) the Back-Up Bidder's receipt of notice from the Debtors of the release by the Debtors of the Back-Up Bidder's obligations under Section 7.02(d) or other applicable section of the Asset Purchase Agreement. Following the Sale Hearing, if the Successful Bidder fails to consummate an approved Sale Transaction because of a breach or failure to perform on the part of such Successful Bidder or otherwise, the Back-Up Bidder will be deemed to be the new Successful Bidder, and the Debtors will be authorized, but not required, to consummate the sale with the Back-Up Bidder without further order of the Court.

Except as provided herein, Good Faith Deposits shall be returned without interest to each bidder not selected by the Debtors as the Successful Bidder or the Back-Up Bidder by no later than the tenth (10th) business day following the conclusion of the Auction. The Good Faith Deposit of the Back-Up Bidder shall be held by the Debtors until ten (10) business days after the closing of the Sale Transaction with the Successful Bidder or termination of the Back-Up Bid as provided above.

Reservation of Rights

The Debtors may, in consultation with the Ad Hoc Group of Prepetition Priority Noteholders, the Ad Hoc Group of EEUK Term Loan Lenders, and the Committee, make alterations to these Bid Procedures and/or terminate discussions with any and all prospective acquirers at any time and without specifying the reasons therefor, but only to the extent not materially inconsistent with the Bid Procedures, but including changes so as to modify deposit amounts and to modify or eliminate the requirements with respect to Back-Up Bidders.

Sale Hearing

The Successful Bid(s) will be subject to approval by the Court. The Sale Hearing will take place on **August 26, 2015 at 10:00 a.m. (prevailing Eastern Time)** before the Honorable Kevin J. Carey, United States Bankruptcy Judge, United States Bankruptcy Court, District of Delaware, 824 North Market Street, Wilmington, Delaware 19801, Courtroom 5. The Sale Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by announcement of the adjournment in open Court on the date scheduled for the Sale Hearing or on the Court's docket.

The Debtors' presentation to the Court for approval of a Successful Bid does not constitute the Debtors' acceptance of the bid. The Debtors will be deemed to have accepted a bid only when the bid has been approved by order of the Court.