

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

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In re: : Chapter 11
: :
SUPERIOR ENERGY SERVICES, INC., *et al.*,¹ : Case No. 20-35812 (DRJ)
: :
Debtors. : (Joint Administration Requested)
: :
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**DEBTORS' EMERGENCY MOTION FOR ENTRY OF
AN ORDER AUTHORIZING THE PAYMENT OF PREPETITION TRADE
CLAIMS OF CERTAIN CREDITORS IN THE ORDINARY COURSE OF BUSINESS**

Emergency relief has been requested. A hearing will be conducted on this matter on December 8, 2020 at 1:00 pm (Prevailing Central Time) in Courtroom 400, 4th floor, United States Bankruptcy Court for the Southern District of Texas, 515 Rusk Street, Houston, Texas 77002. You may participate in the hearing by audio/video connection.

Audio communication will be by use of the Court's regular dial-in facility. You may access the facility at (832) 917-1510. You will be responsible for your own long-distance charges. Once connected, you will be asked to enter the conference room number. Judge Jones' conference room number is 205691.

You may view video via GoToMeeting. To use GoToMeeting, the Court recommends that you download the free GoToMeeting application. To connect, you should enter the meeting Code "JudgeJones" in the GoToMeeting app or click the link on Judge Jones' home page on the Southern District of Texas website. Once connected, click the settings icon in the upper right corner and enter your name under the personal information setting.

Hearing appearances must be made electronically in advance of the hearing. To make your electronic appearance, go to the Southern District of Texas website and select "Bankruptcy Court" from the top menu. Select "Judges"

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Superior Energy Services, Inc. (9388), SESI, L.L.C. (4124), Superior Energy Services-North America Services, Inc. (5131), Complete Energy Services, Inc. (9295), Warrior Energy Services Corporation (9424), SPN Well Services, Inc. (2682), Pumpco Energy Services, Inc. (7310), 1105 Peters Road, L.L.C. (4198), Connection Technology, L.L.C. (4128), CSI Technologies, LLC (6936), H.B. Rentals, L.C. (7291), International Snubbing Services, L.L.C. (4134), Stabil Drill Specialties, L.L.C. (4138), Superior Energy Services, L.L.C. (4196), Superior Inspection Services, L.L.C. (4991), Wild Well Control, Inc. (3477), and Workstrings International, L.L.C. (0390). The Debtors' address is 1001 Louisiana Street, Suite 2900, Houston, Texas 77002.



Procedures,” then “View Home Page” for Judge Jones. Under “Electronic Appearance” select “Click here to submit Electronic Appearance”. Select the case name, complete the required fields and click “Submit” to complete your appearance.

If you object to the relief requested or you believe that emergency consideration is not warranted, you must either appear at the hearing or file a written response prior to the hearing. Otherwise, the Court may treat the pleading as unopposed and grant the relief requested.

Relief is requested not later than December 8, 2020.

The above-captioned debtors and debtors in possession (collectively, the “**Debtors**”) respectfully state the following in support of this emergency motion (this “**Motion**”):

RELIEF REQUESTED

1. By this Motion, the Debtors request entry of an order substantially in the form attached hereto (the “**Order**”), authorizing the Debtors to pay, in the ordinary course of business, the Prepetition Trade Claims (as defined below) to the Prepetition Trade Creditors (as defined below).²

JURISDICTION AND VENUE

2. The United States Bankruptcy Court for the Southern District of Texas (the “**Court**”) has jurisdiction over this matter pursuant to 28 U.S.C. § 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2), and this Court may enter a final order consistent with Article III of the United States Constitution. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

² Contemporaneously with the filing of this Motion, the Debtors have filed certain other “first day” motions seeking authority to satisfy certain prepetition claims. This Motion is not duplicative of any such motions. As used herein, the term “Prepetition Trade Claims” does not include any obligation the Debtors seek to pay under a separate motion. Nothing contained herein is intended or should be construed as an admission as to the validity of any claim against the Debtors or a waiver of the Debtors’ or any other party in interest’s rights to dispute any asserted claim.

3. The bases for the relief requested herein are sections 105(a), 363(b), 503, 506(b), 546(b), 1107 and 1108 of title 11 of the United States Code (the “**Bankruptcy Code**”), Rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), Rules 4002-1 and 9013-1 of the Bankruptcy Local Rules for the Southern District of Texas (the “**Bankruptcy Local Rules**”), and the Procedures for Complex Cases in the Southern District of Texas (the “**Complex Case Procedures**”).

BACKGROUND

4. The Debtors and their indirect subsidiaries are an oilfield services provider headquartered in Houston, Texas, with operations spanning Africa, the Asia Pacific region, Europe, the Middle East, North America, and Latin America. The Debtors’ businesses serve the drilling, completion, and production-related needs of oil and gas companies through a diversified portfolio of specialized oilfield services and equipment that are used throughout the economic life cycle of oil and gas wells. In particular, the Debtors manufacture, rent, and sell specialized equipment and tools for use with well drilling, completion, production, and workover activities, and offer fluid handling and well servicing rigs. The Debtors also provide coiled tubing services, electric line, slickline, and pressure control tools and services, as well as snubbing and hydraulic workover.

5. On the date hereof (the “**Petition Date**”), the Debtors filed voluntary petitions in this Court commencing cases for relief under chapter 11 of the Bankruptcy Code (the “**Chapter 11 Cases**”). The factual background regarding the Debtors, including their business operations, their capital and debt structures, and the events leading to the filing of the Chapter 11 Cases, is set forth in detail in the *Declaration of Westervelt T. Ballard, Chief Financial*

Officer of the Debtors, in Support of Chapter 11 Petitions and First Day Pleadings (the “**First Day Declaration**”), filed contemporaneously herewith and fully incorporated herein by reference.³

6. The Debtors continue to manage and operate their businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No trustee or examiner has been requested in the Chapter 11 Cases, and no committees have been appointed or designated.

7. Simultaneously with the filing of this Motion, the Debtors have filed a motion with this Court pursuant to Bankruptcy Rule 1015(b) seeking joint administration of the Chapter 11 Cases.

8. These Chapter 11 Cases are “prepackaged” cases commenced for the purpose of implementing a restructuring of the Debtors’ liabilities. As of the Petition Date, the Debtors have entered into that certain Amended and Restated Restructuring Support Agreement, dated as of December 4, 2020 (as amended, modified, or supplemented, the “**Restructuring Support Agreement**”)⁴ with holders of approximately 85% of the outstanding principal amount of the Debtors’ senior unsecured notes (the “**Consenting Noteholders**”).

9. A plan of reorganization reflecting the terms of the Restructuring Support Agreement (as may be amended, modified, or supplemented, the “**Plan**”) was filed on the Petition Date, along with a disclosure statement with respect to the Plan (as may be amended, modified, or supplemented, the “**Disclosure Statement**”). Among other things, the Plan contemplates that all Allowed General Unsecured Claims (as defined in the Plan) against all Debtors other than Superior Energy Services, Inc. (the “**Parent**”) will be paid in full or will otherwise be unimpaired.

³ Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the First Day Declaration.

⁴ The Debtors originally entered into that certain Restructuring Support Agreement, dated as of September 29, 2020, which was amended and restated by the Restructuring Support Agreement.

BASIS FOR RELIEF

10. The Prepetition Trade Claims are comprised of (a) Oilfield Servicing Suppliers, (b) Vehicle and Logistics Vendors, (c) Equipment Servicing Suppliers, and (d) Other Prepetition Trade Creditors (each as defined below). For the avoidance of doubt, the Debtors are not seeking authority under this Motion to make any payments to any of the Debtors' Affiliates (as such term is defined in section 101(2) of the Bankruptcy Code) or any other Insider (as such term is defined in section 101(31) of the Bankruptcy Code).

11. The Debtors provide a wide variety of services and products to the energy industry. The Debtors serve major and independent oil and natural gas exploration and production companies and offer services and products with respect to the various phases of a well's economic life cycle. The Debtors' services and products primarily consist of: (a) rentals of downhole drilling tools and surface rentals, including drill pipe, landing strings, and completion tubulars; (b) manufacturing and rental of bottom hole tools, including stabilizers, non-magnetic drill collars, and hole openers; (c) rental of temporary onshore and offshore accommodations modules and accessories; (d) well intervention services required to enhance, maintain, and extend the productive life of oil and gas wells through workover services, coiled tubing, cased hole and mechanical wireline hydraulic workover and snubbing, pressure control and production testing and optimization; (e) fluid management services to obtain, move, store and dispose of fluids that are used or generated in the various phases of a well's life cycle; (f) manufacturing, installation, and other services involved in the completion phase of an offshore well to control sand and maximize oil and gas production; (g) well control services, including blowout and pressure control emergency response, relief well planning, engineering and environmental consulting and training services; and (h) the production and sale of oil and gas. The Debtors rely on a number of vendors

(the “**Prepetition Trade Creditors**”), both suppliers and service providers, in order to maintain continuity within the enterprise.

12. In the ordinary course of their business, the Debtors incur numerous obligations to Prepetition Trade Creditors that enable the Debtors to provide the services and products described above. Correspondingly, the Debtors incur numerous fixed, liquidated, and undisputed payment obligations to the Prepetition Trade Creditors in the ordinary course of business (the “**Prepetition Trade Claims**”).

13. Although certain of the Prepetition Trade Creditors are party to contracts with the Debtors, if the Debtors fail to pay the Prepetition Trade Claims owed to such Prepetition Trade Creditors on a timely basis, certain of those parties may discontinue service or seek to terminate the contracts, notwithstanding the automatic stay under section 362 of the Bankruptcy Code or the provisions of section 365 of the Bankruptcy Code.⁵ Even if a Prepetition Trade Creditor is required pursuant to the Bankruptcy Code to continue performing under a contract with the Debtors, if it nevertheless does not comply with its obligations, there could be a significant impact on the Debtors’ business, as enforcement could be costly, and even a brief delay in the Debtors’ access to the goods and services provided by such parties could potentially cause harm to the Debtors’ business and reputation.

14. Further, the requested relief would benefit the Debtors’ estates with little or no downside risk. The Debtors’ Plan already contemplates payment in full of all Allowed General Unsecured Claims against all Debtors other than the Parent (which includes all Prepetition Trade Claims). Thus, the relief sought by the Motion, assuming the Plan is ultimately confirmed by the

⁵ Given the complexity of the Debtors’ business and the number of contracts to which the Debtors are party, the Debtors have not yet made determinations regarding the assumption of executory contracts.

Court, alters only the timing of payments and not whether the Prepetition Trade Claims will be paid.

15. The magnitude of the Prepetition Trade Claims is typical for the Debtors in the ordinary course of their business. The Prepetition Trade Claims are on various payment terms, and the Debtors will not pay the Prepetition Trade Claims until they come due in the ordinary course of business.

16. As a result, and because the Debtors believe, in their reasonable business judgment, that the payment of the Prepetition Trade Claims is necessary and in the best interests of the Debtors, their estates, and their creditors, the Debtors request authority to pay the Prepetition Trade Claims, in the ordinary course of business, without further notice to, or order of, the Court.

A. Oilfield Servicing Suppliers

17. In the ordinary course of business, the Debtors purchase materials, supplies, fuel and consumables, tools, equipment, machinery, components and parts, and related goods from a variety of vendors (collectively the “**Oilfield Servicing Suppliers**”) to enable the Debtors to provide their services and products to their customers. Specifically, the Debtors keep an inventory of high-quality equipment and tools to provide their services or for rental to customers. The Debtors also manufacture equipment and tools for direct sale to customers based on the customers’ requirements and needs. The Debtors rely on Oilfield Servicing Suppliers for the full range of goods the Debtors need to perform the functions described above, from equipment suppliers such as National Oilwell Varco to fuel card issuers such as WEX Bank and Wells Fargo, N.A.⁶

⁶ The Debtors have separately sought authorization to honor their obligations in relation to their fuel cards in the contemporaneously filed *Debtors’ Emergency Motion for Entry of an Order (I) Authorizing (A) Payment of Prepetition Workforce Obligations and (B) Continuation of Workforce Programs on a Postpetition Basis, (II) Authorizing Payment of Payroll Taxes, (III) Confirming the Debtors’ Authority to Transmit Payroll Deductions, (IV) Authorizing Payment of Prepetition Claims Owing to Administrators, and (V) Directing Banks to Honor Prepetition*

18. If the Debtors do not pay the Prepetition Trade Claims owed to the Oilfield Servicing Suppliers on a timely basis, certain of the Oilfield Servicing Suppliers may refuse to continue to provide goods and services to the Debtors, which would disrupt the Debtors' operations and cause damages disproportionate to the amount of the claims. Moreover, finding replacement vendors, even where available, would likely result in higher costs or delays for the Debtors, which would cause harm to the Debtors' business and the residual value of the Debtors' estates. Therefore, the Debtors submit that justification exists to pay the Prepetition Trade Claims of the Oilfield Servicing Suppliers in the ordinary course of business. The Debtors estimate that the aggregate amount of such claims as of the Petition Date is approximately \$10,092,000.

B. Vehicle and Logistics Vendors

19. In the ordinary course of business, the Debtors rely on vehicle lessors, maintenance service providers, parts suppliers, and carriers (collectively, the "**Vehicle and Logistics Vendors**") to supply and maintain their fleet of vehicles and to transport the Debtors equipment and products. The Debtors lease light-duty vehicles such as pickup trucks and sport-utility vehicles from Automotive Rentals, Inc., ARI Fleet Management Company, and Enterprise FM Trust Inc. and pay them on a monthly basis. During the term of the lease, the Debtors also rely on a number of other Vehicle and Logistics Vendors to service the vehicles as the vehicles endure ordinary wear and tear. In addition, the Debtors rely on Vehicle and Logistics Vendors such as Crane Worldwide Logistics, LLC and Pentagon Freight Services, Inc. to transport the Debtors' often heavy equipment over long distances. The Vehicle and Logistics Vendors are critical to the Debtors'

Checks and Fund Transfers for Authorized Payments. The Debtors, however, have additionally included herein reference to the fuel cards out of an abundance of caution.

operations, as they supply the Debtors' employees with the vehicles and the logistics infrastructure necessary to fulfill their obligations to the Debtors' customers.

20. If the Debtors do not pay the Prepetition Trade Claims owed to the Vehicle and Logistics Vendors on a timely basis, certain of the Vehicle and Logistics Vendors may stop providing services to the Debtors, which would disrupt the Debtors' operations and cause material harm to their business. As with the Oilfield Servicing Providers, replacing Vehicle and Logistics Vendors would likely lead to costs and delays detrimental to the Debtors' business and the value of the Debtors' estates. The aggregate amount of accrued Prepetition Trade Claims of Vehicle and Logistics Vendors as of the Petition Date is approximately \$4,299,000.

C. Equipment Servicing Suppliers

21. In the ordinary course of business, the Debtors incur numerous obligations to vendors and other parties that enable the Debtors to maintain the equipment and tools that they use to provide services or rentals to customers (the "**Equipment Servicing Suppliers**"). The Debtors' equipment and tools are highly specialized and often complex, and require a high degree of maintenance and servicing, both while the equipment and tools are in the customers' possession and in between projects. Equipment Servicing Suppliers provide goods and services that allow the Debtors to conduct continuous service and upkeep of all equipment and tools used to provide services or rentals to the Debtors' customers. The aggregate amount of accrued Prepetition Trade Claims of Equipment Servicing Suppliers as of the Petition Date is approximately \$7,534,000.

D. Other Prepetition Trade Creditors

22. As set forth above, the Debtors incur numerous obligations to vendors and other parties that provide supplies and services utilized by the Debtors in the operation of their business, including Prepetition Trade Claims of all other general unsecured prepetition creditors not covered by the above three categories (but excluding other prepetition claims covered by relief sought in

other “first day” motions) (the “**Other Prepetition Trade Creditors**”). The Other Prepetition Trade Creditors provide goods and services related to software and computer services, computer hardware, marketing, document management, G&A, security guard services, shipping/mailing, and office supplies, among other things. The aggregate amount of accrued Prepetition Trade Claims of Other Prepetition Trade Creditors as of the Petition Date is approximately \$5,609,000.

THE REQUIREMENT FOR CUSTOMARY TERMS

23. The Debtors request authority, in their discretion, to condition payment of the Prepetition Trade Claims on each Prepetition Trade Creditor’s agreement to maintain or reinstate trade terms during the pendency of these Chapter 11 Cases that are (a) at least as favorable as those existing on or prior to the Petition Date or (b) on terms satisfactory to the Debtors in their business judgment (“**Customary Terms**”). If the Debtors have paid a deposit or a similar prepaid amount to any Prepetition Trade Creditor, such amounts will remain in the Prepetition Trade Creditor’s possession to the extent Customary Terms are maintained or reinstated during the pendency of the Chapter 11 Cases. The Debtors also propose that if a Prepetition Trade Creditor has agreed to maintain or reinstate Customary Terms, but fails to do so, then any payments made on account of Prepetition Trade Claims to such Prepetition Trade Creditor after the Petition Date may, in the Debtors’ discretion (in the case of material payments, in consultation with the Ad Hoc Noteholder Group), either be (a) deemed applied to postpetition amounts payable to such Prepetition Trade Creditor or (b) treated as an unauthorized postpetition transfer recoverable by the Debtors.

APPLICABLE AUTHORITY

A. Payment of the Prepetition Trade Claims is Authorized under Sections 1107(a) and 1108 of the Bankruptcy Code

24. The Debtors, operating their business as debtors in possession under sections 1107(a) and 1108 of the Bankruptcy Code, are fiduciaries “holding the bankruptcy estate[s] and

operating the business for the benefit of [their] creditors and (if the value justifies) equity owners.” *In re CoServ, L.L.C.*, 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002). Implicit in the duties of a chapter 11 debtor in possession is the duty “to protect and preserve the estate, including an operating business’s going-concern value.” *Id.*

25. According to the *CoServ* court, there are instances in which a debtor in possession can fulfill its fiduciary duty “only . . . by the preplan satisfaction of a prepetition claim.” *Id.* The *CoServ* court specifically noted that preplan satisfaction of prepetition claims would be a valid exercise of a debtor’s fiduciary duty when the payment “is the only means to effect a substantial enhancement of the estate.” *Id.* The court provided a three-pronged test for determining whether a preplan payment on account of a prepetition claim was a valid exercise of a debtor’s fiduciary duty:

First, it must be critical that the debtor deal with the claimant. Second, unless it deals with the claimant, the debtor risks the probability of harm, or alternatively, loss of economic advantage to the estate or the debtor’s going concern value, which is disproportionate to the amount of the claimant’s pre-petition claim. Third, there is no practical or legal alternative by which the debtor can deal with the claimant other than by payment of the claim.

Id. at 498.

26. Payment of the majority of the Prepetition Trade Claims meets each element of the *CoServ* court’s standard. The ability of the Debtors to procure alternate vendors may be difficult in many cases, and should certain of the Prepetition Trade Creditors delay or cease providing goods or services, even on a temporary basis, the Debtors’ operations would be significantly disrupted and impaired. The harm and economic disadvantage that would stem from failure to pay certain of the Prepetition Trade Claims would be grossly disproportionate to the amount of the prepetition claim that would have to be paid, particularly given that the Plan, if confirmed, would result in such claims being paid in full or otherwise being unimpaired.

27. Payment of the Prepetition Trade Claims is further supported by the doctrine of necessity. The doctrine of necessity is a well-established doctrine that permits a bankruptcy court to authorize payment of certain prepetition claims prior to the completion of the reorganization process when the payment of such claims is necessary to the reorganization. *See In re CoServ, L.L.C.*, 273 B.R. at 497 (recognizing the “doctrine of necessity”); *see also In re CEI Roofing, Inc.*, 315 B.R. 50, 61 (Bankr. N.D. Tex. 2004) (holding that payment of certain prepetition claims under the doctrine of necessity is “based on both common sense and the express provisions of the Bankruptcy Code.”); *In re Mirant Corp.*, 296 B.R. 427, 429 (Bankr. N.D. Tex. 2004) (authorizing the debtors to pay certain prepetition claims because “the court d[id] not wish Debtors’ businesses seriously damaged.”); *In re Equalnet Commc’ns Corp.*, 258 B.R. 368, 369-70 (Bankr. S.D. Tex. 2000).

28. The Debtors have examined other options short of payment of the Prepetition Trade Claims and have determined that, to avoid significant disruption of the Debtors’ business operations and unnecessary expenses, payment of such obligations is in the best interests of their estates. Therefore, the Debtors can only meet their fiduciary duties as debtors in possession under sections 1107(a) and 1108 of the Bankruptcy Code through payment of certain of the Prepetition Trade Claims.

B. Payment of the Prepetition Trade Claims is Warranted under Section 363(b) of the Bankruptcy Code

29. The Court may authorize the Debtors’ payment of the Prepetition Trade Claims under section 363(b)(1) of the Bankruptcy Code. Section 363(b)(1) authorizes courts, after notice and a hearing, to permit a debtor to “use, sell, or lease, other than in the ordinary course of business, property of the estate.” 11 U.S.C. § 363(b)(1); *see also In re Ionosphere Clubs, Inc.*, 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989) (“Section 363(b) gives the court broad flexibility in tailoring its orders

to meet a wide variety of circumstances.”). Courts in the Fifth Circuit have granted a debtor’s request to use property of the estate outside of the ordinary course of business upon a finding that such use is supported by sound business reasons. *See, e.g., The Cadle Co. v. Mims (In re Moore)*, 608 F.3d 253, 263 (5th Cir. 2010) (citing *In re Cont’l Air Lines, Inc.*, 780 F.2d 1223, 1226 (5th Cir. 1986) (“[F]or the debtor-in-possession or trustee to satisfy its fiduciary duty to the debtor, creditors and equity holders, there must be some articulated business justification for using, selling, or leasing the property outside the ordinary course of business”)); *see also In re Crutcher Res. Corp.*, 72 B.R. 628, 631 (Bankr. N.D. Tex. 1987) (“A Bankruptcy Judge has considerable discretion in approving a § 363(b) sale of property of the estate other than in the ordinary course of business, but the movant must articulate some business justification for the sale”); *In re Terrace Gardens Park P’ship*, 96 B.R. 707 714 (Bankr. W.D. Tex. 1989) (applying Continental to require “articulated business justification” for section 363 transaction).

30. Where a debtor has articulated a valid business justification for a proposed transaction, courts generally apply the business judgment rule in evaluating such transaction. *See ASARCO, Inc. v. Elliott Mgmt. (In re ASARCO L.L.C.)*, 650 F.3d 593, 601 (5th Cir. 2011) (“Section 363 of the Bankruptcy Code addresses the debtor’s use of property of the estate and incorporates a business judgment standard. . . . The business judgment standard in section 363 is flexible and encourages discretion.”). Courts emphasize that the business judgment rule is not an onerous standard. “Great judicial deference is given to the [debtor’s] exercise of business judgment.” *GBL Holding Co., Inc. v. Blackburn/Travis/Cole, Ltd. (In re State Park Bldg. Grp., Ltd.)*, 331 B.R. 251, 254 (N.D. Tex. 2005). As long as a transaction “appears to enhance a debtor’s estate, court approval of a debtor-in-possession’s decision to [enter into the transaction] should only be withheld if the debtor’s judgment is clearly erroneous, too speculative, or contrary to the

Bankruptcy Code.” *Richmond Leasing Co. v. Capital Bank, N.A.*, 762 F.2d 1303, 1309 (5th Cir. 1985) (citation and internal quotation marks omitted).

31. The relief requested herein is necessary to the Debtors’ successful reorganization because it enables the Debtors to focus on consummating the Plan for the benefit of the Debtors, their estates, and their creditors. The paramount goal of parties in interest is to protect the value of the Debtors’ business during the pendency of these Chapter 11 Cases by preventing operational disruptions. It is the Debtors’ business judgment that their ability to maintain their relationships with Prepetition Trade Creditors that supply goods and services to the Debtors in the ordinary course of the Debtors’ business is essential to minimize disruption to the Debtors’ operations and preserve the overall value of their business.

32. Paying the Prepetition Trade Creditors in the ordinary course of business further minimizes disruption to the Debtors’ operations by preventing the initiation of reclamation claims, adversary proceedings, and other motions that might otherwise be filed by the Prepetition Trade Creditors seeking payment of their prepetition claims, as well as ensuring Prepetition Trade Creditors agree to continue supplying goods and services to the Debtors postpetition under Customary Terms. Maintaining Customary Terms allows the Debtors to avoid the inherent operational inefficiencies of paying cash on demand and managing billing processes for numerous vendors that require cash in advance or shorten their trade terms.

33. Absent continuity of payment of the Prepetition Trade Claims in the ordinary course of business, the Debtors’ business will be harmed. The Debtors’ inability to maintain existing terms with Prepetition Trade Creditors could negatively impact the value of the Debtors’ business. If Prepetition Trade Creditors were to cease providing goods and services to the Debtors, even for a short period of time, the Debtors’ ability to deliver their services and products to

customers would be significantly impaired, which would damage the Debtors' business and threaten the Debtors' ability to consummate their restructuring pursuant to the Plan.

34. Moreover, because the relief requested is narrowly tailored to facilitate the Debtors' fast-tracked chapter 11 reorganization process, no parties in interest will be prejudiced by the relief requested herein. The Plan seeks to either pay the Prepetition Trade Claims in full in the ordinary course of business or otherwise treat them as unimpaired. By this Motion, the Debtors seek authority to pay only those undisputed amounts that come due in the ordinary course of their business and on terms consistent with their prepetition practices. Hence, the relief requested merely expedites the treatment and distribution that is already afforded to the Prepetition Trade Claims held by Prepetition Trade Creditors under the Plan. Under these circumstances, the Debtors submit that the requested relief is necessary and appropriate.

C. Payment of the Prepetition Trade Claims Supported by Liens is Warranted Under Sections 506(b) and 546(b) of the Bankruptcy Code

35. As discussed above, many of the Prepetition Trade Creditors may be entitled to assert possessory or other liens against certain of the Debtors' assets under various state and federal laws. Pursuant to section 362(b)(3) of the Bankruptcy Code, acts to perfect such liens or interests, to the extent consistent with section 546(b) of the Bankruptcy Code, are expressly excluded from the automatic stay otherwise established by section 362(a) of the Bankruptcy Code. Moreover, under section 546(b) of the Bankruptcy Code, a debtor's lien avoidance powers "are subject to any generally applicable law that . . . permits perfection of an interest in property to be effective against an entity that acquires rights in such property before the date of perfection." Therefore, notwithstanding the automatic stay established by section 362 of the Bankruptcy Code, many of the Prepetition Trade Creditors may assert or attempt to perfect liens or interests against the Debtors' property.

36. Moreover, to protect any asserted lien rights, such counterparties may refuse to release goods or property in their possession unless and until their Prepetition Trade Claims have been satisfied. Therefore, notwithstanding the automatic stay imposed by section 362 of the Bankruptcy Code, many of these parties: (a) may be entitled to assert and perfect liens against the Debtors' property, which would entitle them to payment ahead of other general unsecured creditors in any event; and (b) may hold the property subject to the asserted liens pending payment, to the direct detriment of the Debtors and their estates. The time and resources that would be required for the Debtors to contest liens would detract from the value of the estates and could impair the Debtors' ability to stabilize their operations.

37. Furthermore, since the amount of the Prepetition Trade Claims is likely materially less than the value of any property securing those claims, any such party holding a lien arguably is a fully secured creditor. For any Prepetition Trade Claims that are deemed secured claims, section 1129(b)(2)(A) of the Bankruptcy Code requires that they be satisfied through deferred cash payments totaling at least the allowed amount of each such claim, of a value as of the effective date of the plan equal to the value of the collateral securing the claim, with a continuation of the liens against the collateral; or if the collateral is to be sold, that the lien securing the claim attach to the proceeds of sale; or that the holder realize the indubitable equivalent of the claim. 11 U.S.C. § 1129 (b)(2)(A).

38. Additionally, under section 506(b) of the Bankruptcy Code, fully secured creditors are entitled to receive postpetition interest accruing on their claims to the extent that such claims are oversecured. Consequently, payment of those of Prepetition Trade Claims that are subject to valid liens should give such counterparties no more than that to which they otherwise would be

entitled under a plan and save the Debtors the interest costs that otherwise may accrue on the Prepetition Trade Claims during the Chapter 11 Cases.

D. Payment of the Prepetition Trade Claims that Are Entitled to Administrative Expense Priority Under Section 503(b)(9) of the Bankruptcy Code Is Warranted

39. Certain of the Prepetition Trade Claims relate to goods or materials delivered to the Debtors within 20 days of the Petition Date. Section 503(b)(9) of the Bankruptcy Code provides that such claims constitute administrative expenses of the applicable Debtor's estate. 11 U.S.C. § 503(b)(9). The Debtors are, therefore, required to pay such Prepetition Trade Claims in full to confirm a plan of reorganization. *See* 11 U.S.C. § 1129(a)(9)(A). The Plan provides for payment in full of administrative expenses in the ordinary course of business or, otherwise, on the effective date of the Plan, or as soon as practicable thereafter.

40. Accordingly, payment of the Prepetition Trade Claims entitled to administrative expense priority under section 503(b)(9) of the Bankruptcy Code will only change the timing of the payment of such Prepetition Trade Claims, not the amounts. *Cf. In re CEI Roofing, Inc.*, 315 B.R. 50, 60 (Bankr. N.D. Tex. 2004) (holding that payment of priority wage claims does not upset Bankruptcy code priorities). Thus, allowing the relief requested herein with respect to the Prepetition Trade Claims will not materially prejudice any parties in interest. Accordingly, the Debtors seek authority to pay such claims in the ordinary course of business so as to minimize disruptions to their operations and preserve the value of their estates.

E. Cause Exists to Authorize the Debtors' Financial Institutions to Honor Checks and Electronic Fund Transfers

41. The Debtors have sufficient funds to pay the amounts described in this Motion in the ordinary course of business by virtue of expected cash flows from ongoing business operations and cash on hand. In addition, under the Debtors' existing cash management system, the Debtors can readily identify checks or wire transfer requests as relating to an authorized payment in respect

of the Prepetition Trade Claims. Accordingly, the Debtors believe that checks or wire transfer requests, other than those relating to authorized payments, will not be honored inadvertently. Therefore, the Debtors respectfully request that the Court authorize and direct all applicable financial institutions, when requested by the Debtors, to receive, process, honor, and pay any and all checks or wire transfer requests in respect of the relief requested in this Motion.

EMERGENCY CONSIDERATION

42. Pursuant to Bankruptcy Local Rule 9013-1(i), the Debtors respectfully request emergency consideration of this Motion pursuant to Bankruptcy Rule 6003, which empowers a court to grant relief within the first twenty-one (21) days after the commencement of a chapter 11 case “to the extent that relief is necessary to avoid immediate and irreparable harm.” The Debtors believe an immediate and orderly transition into chapter 11 is critical to the viability of their operations and the success of the Chapter 11 Cases. As discussed in detail above and in the First Day Declaration, immediate and irreparable harm would result if the relief requested herein is not granted. Failure by the Prepetition Trade Creditors to supply goods and services to the Debtors could severely impair the Debtors’ business and thus, the Debtors’ reorganization prospects. Accordingly, failure to receive the applicable relief during the first twenty-one (21) days of the Chapter 11 Cases would severely disrupt the Debtors’ operations at this critical juncture. Accordingly, the Debtors submit that they have satisfied the “immediate and irreparable harm” standard of Bankruptcy Rule 6003 as well as the requirements of Bankruptcy Local Rule 9013-1(i) and, therefore, respectfully request that the Court approve the relief requested in this Motion on an emergency basis.

BANKRUPTCY RULE 6004 SHOULD BE WAIVED

43. To the extent that any aspect of the relief sought herein constitutes a use of property under section 363(b) of the Bankruptcy Code, the Debtors request a waiver of the notice requirements under Bankruptcy Rule 6004(a) and the fourteen-day stay under Bankruptcy Rule 6004(h). As described above, the relief that the Debtors request in this Motion is immediately necessary in order for the Debtors to be able to continue to operate their businesses and preserve the value of their estates. The Debtors respectfully request that the Court waive the notice requirements imposed by Bankruptcy Rule 6004(a) and the fourteen-day stay imposed by Bankruptcy Rule 6004(h), as the exigent nature of the relief sought herein justifies immediate relief.

RESERVATION OF RIGHTS

44. Nothing contained herein is or should be construed as: (a) an admission as to the validity of any claim against any Debtor or the existence of any lien against the Debtors' properties; (b) a waiver of the Debtors' or any other party in interest's rights to dispute any claim or lien on any grounds; (c) a promise to pay any claim; (d) an implication or admission that any particular claim would constitute an allowed claim; (e) an assumption or rejection of any executory contract or unexpired lease pursuant to section 365 of the Bankruptcy Code; (f) a limitation on the Debtors' rights under section 365 of the Bankruptcy Code to assume or reject any executory contract with any party subject to the proposed Order once entered; or (g) a waiver of the Debtors' or any other party in interest's rights under the Bankruptcy Code or any other applicable law. Nothing contained in the Order shall be deemed to increase, decrease, reclassify, elevate to an administrative expense status, or otherwise affect any claim to the extent it is not paid.

CONSENT TO JURISDICTION

45. The Debtors consent to the entry of a final judgment or order with respect to this Motion if it is determined that the Court would lack Article III jurisdiction to enter such final judgment or order absent consent of the parties.

NOTICE

46. Notice of this Motion will be given to: (a) the United States Trustee for the Southern District of Texas (the “**U.S. Trustee**”); (b) the parties included on the Debtors’ consolidated list of the holders of the 30 largest unsecured claims against the Debtors; (c) counsel to the agent for the Debtors’ prepetition secured asset-based revolving credit facility (the “**Prepetition ABL Agent**”); (d) counsel to the indenture trustee for the Debtors’ prepetition notes; (e) counsel to that certain ad hoc group of holders of prepetition senior notes (the “**Ad Hoc Noteholder Group**”); (f) the United States Attorney’s Office for the Southern District of Texas; (g) the Internal Revenue Service; (h) the Securities and Exchange Commission; (i) the state attorneys general for states in which the Debtors conduct business; (j) the Environmental Protection Agency; and (k) all parties that have requested or that are required to receive notice pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested, the Debtors submit that no other or further notice is required or needed under the circumstances.

47. A copy of this Motion is available on (a) the Court’s website: www.txs.uscourts.gov, and (b) the website maintained by the Debtors’ proposed Claims and Noticing Agent, Kurtzman Carson Consultants LLC, at www.kccllc.net/superior.

[Remainder of page intentionally left blank]

WHEREFORE, the Debtors respectfully request that the Court enter the proposed Order, substantially in the form attached hereto, granting the relief requested in the Motion and such other and further relief as may be just and proper.

Signed: December 7, 2020
Houston, Texas

Respectfully Submitted,

/s/ Timothy A. ("Tad") Davidson II
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-and-

George A. Davis (*pro hac vice* admission pending)
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Proposed Counsel for the Debtors and Debtors in Possession

CERTIFICATE OF SERVICE

I certify that on December 7, 2020, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas on those parties registered to receive electronic notices.

/s/ Timothy A. ("Tad") Davidson II
Timothy A. ("Tad") Davidson II

Exhibit A

Category	Aggregate Amount
Oilfield Servicing Suppliers	\$10,092,000
Vehicle and Logistics Vendors	4,299,000
Equipment Servicing Suppliers	7,534,000
Other Prepetition Trade Claims	5,609,000
Total	\$27,534,000

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

	x	
In re:	:	Chapter 11
	:	
SUPERIOR ENERGY SERVICES, INC., <i>et al.</i> , ¹	:	Case No. 20-35812 (DRJ)
	:	
Debtors.	:	(Joint Administration Requested)
	:	
	x	

**ORDER AUTHORIZING THE PAYMENT OF PREPETITION
CLAIMS OF CERTAIN CREDITORS IN THE ORDINARY COURSE OF BUSINESS**
[Relates to Motion at Docket No. ____]

Upon the emergency motion (the “**Motion**”)² of the above-captioned debtors and debtors in possession (the “**Debtors**”) for entry of an order (this “**Order**”) authorizing, but not directing, the Debtors to pay certain prepetition creditors in the ordinary course of business, all as more fully set forth in the Motion; and upon the First Day Declaration; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §1334; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that proper and adequate notice of the Motion has been given under the

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: Superior Energy Services, Inc. (9388), SESI, L.L.C. (4124), Superior Energy Services-North America Services, Inc. (5131), Complete Energy Services, Inc. (9295), Warrior Energy Services Corporation (9424), SPN Well Services, Inc. (2682), Pumpco Energy Services, Inc. (7310), 1105 Peters Road, L.L.C. (4198), Connection Technology, L.L.C. (4128), CSI Technologies, LLC (6936), H.B. Rentals, L.C. (7291), International Snubbing Services, L.L.C. (4134), Stabil Drill Specialties, L.L.C. (4138), Superior Energy Services, L.L.C. (4196), Superior Inspection Services, L.L.C. (4991), Wild Well Control, Inc. (3477), and Workstrings International, L.L.C. (0390). The Debtors’ address is 1001 Louisiana Street, Suite 2900, Houston, Texas 77002.

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

circumstances and that no other or further notice is necessary; and all objections, if any, to entry of this Order having been withdrawn, resolved, or overruled; and upon the record herein; and after due deliberation thereon; and the Court having determined that there is good and sufficient cause for the relief granted in the Order, it is hereby

ORDERED THAT:

1. The Debtors are authorized, but not directed, to pay, in the ordinary course of business, the Prepetition Trade Claims of Prepetition Trade Creditors in the aggregate amounts reflected by category on Exhibit A to this Order. In the event any payments made by the Debtors pursuant to this Order will exceed any category amount, the Debtors shall file a notice with the Court describing the category and overage amount; *provided*, that the Debtors shall obtain the prior written consent (not to be unreasonably withheld, conditioned, or delayed) of the Ad Hoc Noteholder Group before paying any such overage amount, to the extent such overage amount is material.

2. As a condition to receiving payment on account of their Prepetition Trade Claims, the Debtors, at their discretion, may require, by written agreement, that the Prepetition Trade Creditors agree to maintain or reinstate trade terms during the pendency of these Chapter 11 Cases that are (a) at least as favorable as those existing as of the Petition Date or (b) on terms satisfactory to the Debtors (in the case of material payments, in consultation with the Ad Hoc Noteholder Group) in their business judgment (“**Customary Terms**”).

3. If any Prepetition Trade Creditor accepts payment pursuant to this Order on account of a Prepetition Trade Claim premised on such Prepetition Trade Creditor’s compliance with paragraph 2 hereof, and thereafter fails to comply with the Customary Terms, or such other terms agreed to by the Debtors (including, for the avoidance of doubt, any prepetition arrangement or

contract), then the Debtors may, in their discretion, (a) deem such payment to be applied to postpetition amounts payable to such Prepetition Trade Creditor or (b) deem such payment an avoidable postpetition transfer under Section 549 of the Bankruptcy Code, and the Prepetition Trade Creditor shall be required to immediately repay to the Debtors any payment made to it on account of its asserted claim to the extent the aggregate amount of such payments exceeds the postpetition obligations then outstanding, without the right of any setoffs, claims, provision for payment of reclamation or trust fund claims or otherwise. Upon recovery by the Debtors, the Prepetition Trade Claim shall be reinstated as a prepetition claim in the amount so recovered.

4. The Debtors' banks and financial institutions shall be, and hereby are, authorized, when requested by the Debtors in their discretion, to process, honor, pay, and, if necessary, reissue any and all checks, including prepetition checks that the Debtors reissue postpetition, and electronic fund transfers drawn on the Debtors' bank accounts relating to those Prepetition Trade Claims whose payment is approved by this Order, whether such checks were presented or funds transfer requests were submitted prior to or subsequent to the Petition Date, provide that sufficient funds are available in the applicable accounts to make the payments. Further, the Debtors are authorized to issue new postpetition checks and initiate new postpetition electronic fund transfers to replace any checks or electronic fund transfers that may be dishonored and to reimburse any related expenses that may be incurred as a result of any bank's failure to honor a prepetition check or electronic fund transfer.

5. Notwithstanding anything to the contrary contained herein, (a) any payment made or authorization contained hereunder shall be subject to the requirements imposed on the Debtors under any orders approving a postpetition financing facility or any order regarding the use of cash collateral approved by this Court in these Chapter 11 Cases (collectively, the "**DIP Order**"), and

(b) to the extent there is any inconsistency between the terms of the DIP Order and any action taken or proposed to be taken hereunder, the terms of the DIP Order shall control. For the avoidance of doubt, the Debtors are not authorized to make any payments pursuant to this Order except as permitted by the Budget (as defined in the DIP Order).

6. The Debtors' banks and financial institutions may rely on the representations of the Debtors with respect to whether any check or other transfer drawn or issued by the Debtors prior to the Petition Date should be honored pursuant to this Order, and any such bank or financial institution shall not have any liability to any party for relying on such representations by the Debtors as provided for in this Order.

7. Notwithstanding anything herein to the contrary, nothing in the Motion or this Order shall be deemed to authorize any prepetition payment to an Insider, an Affiliate of an Insider, or an Affiliate of the Debtors.

8. Nothing in the Motion or this Order, or the Debtors' payment of any claims pursuant to this Order, shall be construed as: (a) an admission as to the validity of any claim against any Debtor or the existence of any lien against the Debtors' properties; (b) a waiver of the Debtors' or any other party in interest's rights to dispute any claim or lien on any grounds; (c) a promise to pay any claim; (d) an implication or admission that any particular claim would constitute an allowed claim; (e) an assumption or rejection of any executory contract or unexpired lease pursuant to section 365 of the Bankruptcy Code; (f) a limitation on the Debtors' rights under section 365 of the Bankruptcy Code to assume or reject any executory contract with any party subject to this Order; or (g) a waiver of the Debtors' or any other party in interest's rights under the Bankruptcy Code or any other applicable law. Nothing contained in this Order shall be deemed

to increase, decrease, reclassify, elevate to an administrative expense status, or otherwise affect any claim to the extent it is not paid.

9. Neither the provisions contained herein, nor any actions or payments made by the Debtors pursuant to this Order, shall be deemed an admission as to the validity of any underlying obligation or a waiver of any rights the Debtors or any other party in interest may have to dispute such obligation on any ground that applicable law permits.

10. The Debtors shall maintain a schedule of payments made pursuant to this Order, including the following information: (a) the names of the payees; (b) the amount of the payment; (c) the Debtor or Debtors that made the payment; (d) the payment date; (e) the category or type of payment, as further described and classified in the Motion. The Debtors shall provide a copy of such payment schedule to the U.S. Trustee, the Ad Hoc Noteholder Group, and any statutory committee appointed in the Chapter 11 Cases within four business days following every month-end during the pendency of these Chapter 11 Cases. Each such payment schedule shall cover payments made during the previous month, as well as payments made since entry of this Order.

11. Nothing herein shall impair or prejudice the rights of the U.S. Trustee, the Ad Hoc Noteholder Group and any statutory committee appointed in these chapter 11 cases, which are expressly reserved, to object to any payment made pursuant to this order to an insider (as such term is defined in section 101(31) of the Bankruptcy Code), or an affiliate of an insider, of the Debtors. To the extent the Debtors intend to make a payment to an insider or an affiliate of an insider of the Debtors, the Debtors shall, to the extent reasonably practicable, provide five (5) business days' advance notice to, and opportunity to object by the U.S. Trustee and any statutory committee appointed in these chapter 11 cases; *provided*, that if any party objects to the payment, the Debtors shall not make such payment without further order of the Court.

12. The contents of the Motion satisfy the requirements of Bankruptcy Rules 6003(b) and 6004(a).

13. Notwithstanding Bankruptcy Rule 6004(h), to the extent applicable, this Order shall be effective and enforceable immediately upon entry hereof.

14. The Debtors are hereby authorized to take such reasonable actions and to execute such documents as may be necessary to implement the relief granted by this Order.

15. The Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Order.

Signed _____, 2020

THE HONORABLE DAVID R. JONES
UNITED STATES BANKRUPTCY JUDGE