

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

In re	:	Chapter 11
	:	
SWIFT ENERGY COMPANY, <i>et al.</i> , ¹	:	Case No. 15-____ (____)
	:	
Debtors.	:	(Joint Administration Requested)
	:	

MOTION FOR AN ORDER (I) AUTHORIZING THE DEBTORS TO PAY ROYALTIES, WITHHOLDING TAXES, SEVERANCE TAXES AND DELAY RENTALS AND (II) GRANTING RELATED RELIEF

The above-captioned debtors and debtors in possession (collectively, the "Debtors") move the Court for the entry of interim and final orders pursuant to sections 105(a) and 363(b) of the Bankruptcy Code (i) authorizing the Debtors to pay royalties, withholding taxes, severance taxes and delay rentals and (ii) granting related relief. In support of this motion, the Debtors incorporate the statements contained in the Declaration of Dean E. Swick in Support of First Day Pleadings (the "First Day Declaration") filed contemporaneously herewith and further respectfully represent as follows:

Background

1. On the date hereof (the "Petition Date"), each of the Debtors commenced a case by filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code.² The

¹ The Debtors are the following nine entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Swift Energy Company (0661); Swift Energy International, Inc. (6721); Swift Energy Group, Inc. (8150); Swift Energy USA, Inc. (8212); Swift Energy Alaska, Inc. (6493); Swift Energy Operating, LLC (2961); GASRS LLC (4381); SWENCO-Western, LLC (0449); and Swift Energy Exploration Services, Inc. (2199). The address of each of the Debtors is 17001 Northchase Drive, Suite 100, Houston, Texas 77060.

² This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue for this matter is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.



Debtors are continuing in possession of their properties and are managing their businesses, as debtors in possession, pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2. The Debtors are an independent energy company engaged in the exploration, development, production and acquisition of oil and natural gas properties. The Debtors are headquartered in Houston, Texas. Their primary assets and operations are focused in the Eagle Ford trend of South Texas and, to a lesser extent, the onshore and inland waters of Louisiana. For the nine months ended September 30, 2015, the Debtors generated revenue of approximately \$195.7 million from net oil and gas production of 8.8 million barrels of oil equivalents (MMBoe). Crude oil represented 47% and natural gas represented 44% of the Debtors' oil and gas revenues for the nine months ended September 30, 2015 (22% and 66% of the volumes for crude oil and natural gas, respectively), with the remaining production and revenues coming from natural gas liquids (NGLs).

3. Additional information regarding the Debtors and these cases, including the Debtors' business, corporate structure, financial condition, and the reasons for and objectives of these cases, is set forth in the First Day Declaration.

Obligations Related to Oil and Gas Interests.

4. The Debtors' operations are focused on the exploration, development, and production of oil and gas. In general, the owner of real property in fee simple also owns an interest in any hydrocarbons (oil, gas and coal), hardrock minerals (gold, silver, copper and other metals) and other types of minerals contained in the property.³ Absent contracts with third parties, only the owners of real property have the exclusive right to extract or mine any

³ "The owner of land in fee simple absolute was said at common law to own the land to an indefinite extent, upwards as well as downwards; '*cujus est solum, ejus est usque ad coelum et ad inferos.*'" 1-2 Howard R. Williams & Charles J. Meyers, Oil and Gas Law § 202 (Matthew Bender 2015).

hydrocarbons or minerals in the property. Through a written agreement, owners of mineral interests can sell or otherwise convey the exclusive right to extract minerals (a "Working Interest")⁴ to a third party in exchange for either a share of production or payments in lieu of a share of production ("Royalty Interest").⁵

5. The Debtors own a Working Interest in approximately 2,250 oil and gas leases (the "Leases") in Texas, Louisiana, Oklahoma, Alabama, Colorado and Wyoming.⁶ There are approximately 1,525 wells on the Leases (the "Wells"), and the Debtors operate approximately 1,475 of these Wells. Of the Wells that the Debtors operate, approximately 1,205 are producing, and they have an average gross working interest of 95%. The Debtors are parties to numerous joint operating agreements ("JOAs") governing operations of the Wells.

Interest Holder Payments

6. The Debtors' Leases are generally subject to or burdened by one or more of: Royalty Interests, overriding royalty interests ("ORRI"),⁷ non-participating royalty interests

⁴ A "working interest" is: "[t]he operating interest under an oil and gas lease. The owner of the working interest has the exclusive right to exploit the minerals on the land; the interest may exist in concurrent ownership with others." 8-W Howard R. Williams & Charles J. Meyers, Oil and Gas Law W (Matthew Bender 2015).

⁵ A "royalty interest" is: "a share of production, free of expenses of production." A "[r]oyalty may be payable in kind (that is, the royalty owner is entitled to a share of the oil or gas as produced), or it may be payable in money (that is, the royalty owner is to be paid in money for the value or market price of his share of the product). . . . Although the royalty is not subject to costs of production, usually it is subject to costs incurred after production, e.g., production or gathering taxes, costs of treatment of the product to render it marketable, costs of transportation to market. Occasionally a lease provides that the royalty payable to the lessor shall be a larger or smaller fractional interest depending on the volume of production." 8-R Howard R. Williams & Charles J. Meyers, Oil and Gas Law R (Matthew Bender 2015).

⁶ The Debtors' Working Interests outside of the states of Texas and Louisiana have an immaterial impact on the Debtors' financial performance.

⁷ An "overriding royalty" is: "[a]n interest in oil and gas produced at the surface, free of the expense of production, and in addition to the usual landowner's royalty reserved to the lessor in an oil and gas lease." 8-O Howard R. Williams & Charles J. Meyers, Oil and Gas Law O (Matthew Bender 2015). "An outstanding characteristic of overriding royalty is that its duration is limited by the duration of the lease under which it is created. Thus, when A, the lessee of Blackacre, assigns the lease to B, reserving a 1/16 overriding royalty, the continued existence of this interest depends on the acts of B in keeping the lease

("NPRI"),⁸ net profits interests ("NPI"),⁹ production payments ("Production Payments")¹⁰ and third party Working Interests (collectively with Royalty Interests, ORRI, NPRI, Production Payments and NPI, the "Interests").

7. As further described below, the Debtors, as operators, among other things: (a) often market and sell hydrocarbons produced from the Wells on behalf of the holders of Interests; (b) distribute the proceeds from the sale of such production to such holders (the "Interest Holder Payments");¹¹ and (c) pay the Lease Obligations (as defined below). Typically, on the twenty-fifth day of the month, the Debtors distribute proceeds related to oil Interests one month in arrears, and they distribute proceeds of natural gas Interests two months in arrears.¹²

8. Failure to make payments on account of the Interests would have a material adverse effect upon the Debtors and their operations, including, without limitation, potential cancellation, forfeiture, or termination of the Leases, penalties and interest, turnover

(continued...)

alive, by paying delay rentals, producing oil before the expiration of the primary term, etc. Unless expressed, there is no duty by B to keep the lease and hence the overriding royalty alive." Id.

⁸ A "non-participating royalty interest" is: "[a]n expense-free interest in oil or gas, as, if and when produced. The prefix 'nonparticipating' indicates the interest does not share in bonus or rental, nor in the right to execute leases or to explore and develop." 8-N Howard R. Williams & Charles J. Meyers, Oil and Gas Law N (Matthew Bender 2015).

⁹ A "net profits interest" is: "[a] share of gross production from a property, measured by net profits from operation of the property. It is carved out of the working interest." 8-N Howard R. Williams & Charles J. Meyers, Oil and Gas Law N (Matthew Bender 2015).

¹⁰ A "production payment" is: "an interest created out of the lessee's estate which is a share of the minerals produced from described premises, free of the costs of production at the surface . . . But a production payment terminates when the lease expires, or sooner if the owner of the interest has received the agreed quantum of production or dollar amount from the sale of production." 8-P Howard R. Williams & Charles J. Meyers, Oil and Gas Law P (Matthew Bender 2015).

¹¹ The vast majority of Interest Holder Payments are made in cash. However, occasionally Interest holders may take their share of production in kind.

¹² One exception is the Interest Holder Payments to a joint venture partner, which are due on the fifth business day of the second month following the month of production.

actions, conversion claims, significant lien claims, constructive trust claims, litigation, and, in some instances, removal as operator.

9. As of the Petition Date, the Debtors estimate that they owe approximately \$17,200,000 in Interest Holder Payments.¹³ The Debtors request authority to: (a) pay outstanding and undisputed prepetition Interest Holder Payments as such have been paid by the Debtors in the ordinary course of business; and (b) continue to pay postpetition Interest Holder Payments in the ordinary course of business.

Lease Obligations

10. The Debtors are required to pay certain withholding taxes imposed on royalty proceeds (the "Withholding Taxes"). The Withholding Taxes are a form of income tax, and are paid to the Internal Revenue Service by the Debtors on behalf of the holders of certain Interests. As of the Petition Date, the Debtors estimate that they owe approximately \$5,000 in Withholding Taxes.

11. The Debtors are required to pay taxes imposed on the removal of nonrenewable resources such as crude oil and natural gas (the "Severance Taxes") to certain taxing authorities each month. Typically, the Debtors are responsible for the payment of Severance Taxes, and they deduct the tax payments from some Interest Holder Payments.¹⁴ Failure to pay the Severance Taxes when due could result in penalties, liens to secure payment of

¹³ Of this amount, approximately \$2,300,000 relates to the Debtors' obligations in suspense, e.g., disputed amounts or where the Debtors have inaccurate address information on file. Further, certain Royalty Interest holders perform regular audits ("Royalty Audits") to determine whether the amounts owed by the Debtors should be recalculated based upon the production from the relevant Leases. In the ordinary course of business, the Debtors provide additional payments to Royalty Interest holders if a Royalty Audit determines that the Debtors have underpaid a Royalty Interest holder.

¹⁴ However, in the state of Texas, purchasers deduct certain Severance Taxes for oil prior to remitting proceeds to the Debtors.

outstanding Severance Taxes and disruption of the Debtors' operations. The Debtors estimate that they owe approximately \$2,700,000 in Severance Taxes.

12. In the case of certain incentive refunds, including high cost Wells, the Debtors are entitled to a refund of certain of the Severance Taxes (the "Severance Tax Refunds"). Once the Debtors receive the Severance Tax Refund, they are responsible for remitting the proportionate amounts of the refund to those Interest holders who share costs of production. As of the Petition Date, the Debtors estimate that they owe approximately \$4,600,000 in Severance Tax Refunds to certain Interest holders.

13. The Debtors are also required to make rental payments during the term of certain Leases (the "Delay Rentals" and, collectively with Withholding Taxes, Severance Taxes, Severance Tax Refunds, the "Lease Obligations" and together with the Interests, the "Obligations"). Payment of the Delay Rentals postpones the Debtors' obligation for initial exploration and development of a Lease for the entire period for which they are paid. Thus, if the Delay Rentals are paid on or before the anniversary date for each year during the primary term of each Lease, each Lease will be maintained in full force and effect, and the Debtors will not be required to engage in exploration and development. If the Delay Rentals are not paid and the Debtors do not engage in initial exploration and development, the Lease will terminate. Accordingly, failure to pay the Delay Rentals could similarly have a material adverse effect upon the Debtors and their operations, including, inter alia, the loss of the underlying Lease.

14. As of the Petition Date, the Debtors estimate that they owe approximately \$7,400,000 in Lease Obligations. The Debtors seek to: (a) pay outstanding and undisputed prepetition Lease Obligations, as such have been paid in the Debtors' ordinary course of business; and (b) continue to pay such Lease Obligations postpetition, in the ordinary course of

business.

Basis for Relief Requested

The Doctrine of Necessity Provides a Basis for Granting the Requested Relief

15. The payment of the Obligations is warranted under sections 105(a) and 363(b) of the Bankruptcy Code and case law in this District and elsewhere.

16. Section 363(b)(1) of the Bankruptcy Code provides: "The trustee, after notice and a hearing, may use, sell or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). Section 105(a) of the Bankruptcy Code provides:

The court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title. No provision of this title providing for the raising of an issue by a party in interest shall be construed to preclude the court from, sua sponte, taking any action or making any determination necessary or appropriate to enforce or implement court orders or rules, or to prevent the abuse of process.

11 U.S.C. § 105(a). Section 105(a) of the Bankruptcy Code grants bankruptcy courts broad authority and discretion to enforce the provisions of the Bankruptcy Code either under specific statutory fiat or under equitable common law principles.

17. Courts have repeatedly recognized "the existence of the judicial power to authorize a debtor in a reorganization case to pay prepetition claims where such payment is essential to the continued operations of the debtor." In re Ionosphere Clubs, Inc., 98 B.R. 174, 176 (Bankr. S.D.N.Y. 1989); see also In re Columbia Gas Sys., Inc., 171 B.R. 189, 191-92 (Bankr. D. Del. 1994) (finding that a debtor is entitled to pay certain prepetition creditors upon a showing that the payment is "essential to the continued operation of the business") (citations omitted). The United States Supreme Court first articulated the equitable common law principle commonly referred to as the "doctrine of necessity" over 125 years ago in Miltenberger v. Logansport, C. & S.W.R. Co., 106 U.S. 286 (1882).

18. Under the "doctrine of necessity," a bankruptcy court may exercise its equitable power to authorize a debtor to pay critical prepetition claims, even though such payment is not explicitly authorized under the Bankruptcy Code. See In re Columbia Gas Sys., Inc., 136 B.R. 930, 939 (Bankr. D. Del. 1992) (citing In re Lehigh & New England Ry. Co., 657 F.2d 570, 581 (3d Cir. 1981) (recognizing that "if payment of a prepetition claim 'is essential to the continued operation of [the debtor], payment may be authorized'").

19. The bankruptcy court's exercise of its authority under the "doctrine of necessity" is appropriate to carry out specific statutory provisions of chapter 11, specifically sections 1107(a), 1108 and 363(b)(1) of the Bankruptcy Code, which collectively authorize a debtor in possession to maintain and operate the debtor's business and use estate property outside of the ordinary course of business. Indeed, a debtor in possession operating a business under section 1108 of the Bankruptcy Code has a duty to protect and preserve the value of its business, and prepetition claims may be paid if necessary to perform the debtor's duty. See In re CoServ, LLC, 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002) ("There are occasions when this duty can only be fulfilled by the preplan satisfaction of a prepetition claim.").

20. Certain of the Interest holders may allege, among other things, that making payment of the Obligations is a condition to the continued effectiveness of the Leases and the related agreements. At least one court has held that the failure to make payments required under a lease could allow a royalty interest owner to terminate the lease and that such termination would not violate the automatic stay. See Trigg v. United States (In re Trigg), 630 F.2d 1370, 1372-75 (10th Cir. 1980). In Trigg, a case decided under the former Bankruptcy Act

and former Bankruptcy Rule 11-44,¹⁵ the debtor was obligated to make certain annual rental payments to state and federal authorities under oil and gas leases. The contractual consequence of nonpayment was automatic termination of the debtor's interest as lessee. Before the dates on which the rental payments would be due, the debtor commenced a case under chapter 11 of the Bankruptcy Act and sought to prevent the state and federal authorities from terminating the leases for nonpayment. The Trigg court rejected the argument that such termination was stayed by virtue of the chapter 11 case; since the leases terminated automatically by their own terms, the court explained, no action was being taken by the authorities in contravention of the automatic stay. 630 F.2d at 1373; see also Good Hope Refineries, Inc. v. Benavides, 602 F.2d 998, 1002 (1st Cir. 1979) (automatic termination of an oil and gas lease for nonpayment of delay rental does not constitute a "proceeding" within the meaning of the Bankruptcy Act's automatic stay provisions).

21. The leases at issue in Trigg expressly provided for automatic termination in the event of non-payment of annual rent. Such automatic termination provisions are present in the vast majority of the Debtors' Leases. In addition, the Debtors' failure to make payments on account of Interests could jeopardize the Debtors' ownership of the Leases. By paying the undisputed Obligations (following any setoff to which the Debtors may be entitled to assert), the Debtors seek, out of an abundance of caution, to avoid such time-consuming and costly disputes and to ensure the continued existence of the underlying Leases, thereby preserving and maximizing estate value for the benefit of all stakeholders.

¹⁵ The relevant holding in Trigg has been upheld in the context of the Bankruptcy Code by numerous courts. See, e.g., In re Margulis, 323 B.R. 130, 134 (Bankr. S.D.N.Y. 2005) ("Trigg remains good law under the Bankruptcy Code."); In re Tudor Motor Lodge Assocs., Ltd. P'ship, 102 B.R. 936, 949 (Bankr. D.N.J. 1989) (agreeing with a collection of cases applying Trigg in a Bankruptcy Code setting); Hertzberg v. Loyal Am. Life Ins. Co. (In re B & K Hydraulic Co.), 106 B.R. 131, 134 (Bankr. E.D. Mich. 1989); In re W. Pine Const. Co., 80 B.R. 315, 320 (Bankr. E.D. Pa. 1987).

22. The Debtors submit that the total amount to be paid on account of the Obligations is minimal compared to the importance and necessity of the Debtors' continued and uninterrupted receipt of operating income from the Leases. The Debtors' payment of the Obligations at this early stage of these chapter 11 cases is warranted because the harm to the Debtors' estates and creditors that would likely result from nonpayment will exceed the amount of such claims by a significant margin.

Certain of the Obligations Are Not Property of the Debtors' Bankruptcy Estates

23. The Debtors also hold certain proceeds of the production of oil and gas from their Leases for the benefit of third parties. As a result, the Debtors believe that certain Obligations may not be property of their bankruptcy estates and should be remitted to the relevant Interest holders in the ordinary course of business.¹⁶

24. Further, courts have found that proceeds of oil or gas production that the debtor holds for the benefit of a third party are not property of the debtor's bankruptcy estate. See, e.g., Dahlberg v. ConocoPhillips Co. (In re Reichmann Petroleum Corp.), 434 B.R. 790, 797 (Bankr. S.D. Tex. 2010) (finding that revenue earned by working interests was property of the working interest owners, regardless of whether the operator held such revenues); Vess Oil Corp. v. SemCrude, L.P. (In re SemCrude, L.P.), 418 B.R. 98, 106 (Bankr. D. Del. 2009) (finding that production proceeds held in trust by the debtor for the benefit of third parties were not property of the debtor's estate). "Where [a] Debtor merely holds bare legal title to property as agent or bailee for another, Debtor's bare legal title is of no value to the estate, and Debtor should convey the property to its rightful owner." MCZ, Inc. v. Andrus Res., Inc. (In re MCZ, Inc.), 82 B.R. 40,

¹⁶ The Debtors expressly preserve any rights of setoff or recoupment they may have with respect to the Obligations.

42 (Bankr. S.D. Tex. 1987). Because certain Interest Holder Payments may be proceeds of production held for the benefit of the relevant Interest holders, such funds may not be property of the Debtors' bankruptcy estates and should therefore be remitted to the relevant Interest holders in the ordinary course of the Debtors' business.

Certain of the Obligations May Be Secured Under Texas Law

25. Further, Interest holders of certain of the Texas Leases (collectively, the "Texas Lien Claimants") may be able to assert statutory liens regarding their claims that arise by operation of Texas law (such claims, the "Texas Lien Claims").

26. Section 9.343 of the Texas Business and Commerce Code specifies that owners of oil and gas interests are provided an automatically-perfected security interest to secure the payment of the purchase price of oil and gas production stemming from such interests. This statutory lien has the same priority as a purchase-money security interest and is, therefore, higher in priority than many of the other secured claims against the Debtors. See Tex. Bus. & Com. Code § 9.343(f).

27. Because the amounts of most of the Texas Lien Claims are for less than the value of the property securing those claims, many of the Texas Lien Claimants may be fully secured creditors. In general, pursuant to section 506 of the Bankruptcy Code, fully secured creditors are entitled to receive (i) payment in full of their prepetition claims and (ii) the postpetition interest accruing on such claims up to the value of the collateral. Consequently, payment of the Texas Lien Claims now will (i) in most cases give the Texas Lien Claimants no more than they otherwise would be entitled to receive on account of their claims in the chapter 11 process and (ii) save the Debtors the cost of interest that otherwise may accrue on the Texas Lien Claims.

Under Louisiana Law, Non-Payment of Royalties May Result in Double Damages, Attorney's Fees, Interest and the Potential Dissolution of Leases

28. Interest holders of certain of the Louisiana Leases (collectively, the "Louisiana Royalty Claimants") may be able to assert claims for double damages, attorney's fees and interest on unpaid Royalties under the Louisiana Mineral Code (such claims, the "Additional Royalty Claims").

29. Under Louisiana Revised Statute 31:140, if a lessee "fails to pay royalties due or fails to inform the lessor of a reasonable cause for failure to pay . . . the court may award as damages double the amount of royalties due, interest on that sum from the date due, and a reasonable attorney's fee regardless of the cause for the original failure to pay royalties." La. R.S. 31:140. Further, in its discretion, a court may even order the dissolution of the relevant lease. Id.

30. Therefore, the failure to make payments to Louisiana Royalty Claimants could result in the imposition of Additional Royalty Claims upon the Debtors or even in the dissolution of the Debtors' leases. Timely payment of Interests to Louisiana Royalty Claimants will (i) prevent the accrual of unnecessary damages and expenses and (ii) preserve the Debtors' leases from potential dissolution.

Request for Authority for Banks to Honor and Pay Checks and Funds Transfers Related to Obligations

31. In addition, by this motion, the Debtors request that all applicable banks and other financial institutions (collectively, the "Banks") be authorized, when requested by the Debtors, to receive, process, honor and pay any and all checks presented for payment of, and to honor all fund transfer requests made by the Debtors related to Obligations, whether such checks were presented or fund transfer requests were submitted prior to or after the Petition Date, provided that sufficient funds are available in the applicable accounts to make the payments.

The Debtors represent that these checks are drawn on identifiable disbursement accounts and can be readily identified as relating directly to the authorized payment of Obligations. Accordingly, the Debtors believe that checks other than those relating to authorized payments will not be honored inadvertently.

32. Nothing contained herein is intended or shall be construed as: (i) an admission as to the validity of any claim against the Debtors; (ii) a waiver of the Debtors' rights to dispute any claim on any grounds; (iii) a promise to pay any claim; or (iv) an implication or admission that any particular claim against the Debtors would constitute an Obligation.

Other Courts Have Granted Similar Relief

33. Relief similar to that requested herein has been approved in other chapter 11 cases. See, e.g., In re Samson Res. Corp., Case No. 15-11934 (CAS) (Bankr. D. Del. Sept. 17, 2015); In re Milagro Holdings, LLC, Case No. 15-11520 (KG) (Bankr. D. Del. Aug. 17, 2015); In re Quicksilver Res. Inc., Case No. 15-10585 (LSS) (Bankr. D. Del. Apr. 15, 2015); In re Endeavour Operating Corp., Case No. 14-12308 (KJC) (Bankr. D. Del. Nov. 6, 2014); In re Goldking Holdings, LLC, Case No. 13-12820 (BLS) (Bankr. D. Del. Oct. 31, 2013).

Requests for Immediate Relief & Waiver of Stay

34. Pursuant to Rules 6003(b) and 6004(h) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), the Debtors seek (i) immediate entry of an order granting the Debtors the authority to pay the Obligations and (ii) a waiver of any stay of the effectiveness of such an order. Bankruptcy Rule 6003(b) provides, in relevant part, that "[e]xcept to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 21 days after the filing of the petition, grant relief regarding . . . a motion to pay all or part of a claim that arose before the filing of the petition." Accordingly, where the failure to grant any such requested relief would result in immediate and irreparable harm to the Debtors' estates, the

Court may now authorize the Debtors to pay all or part of a claim that arose before the Petition Date at this time. Bankruptcy Rule 6004(h) provides that "[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise."

35. As set forth above and in the First Day Declaration, the honoring and payment of the Obligations is necessary to prevent the immediate and irreparable damage to the Debtors' exploration and production operations, going-concern value and ability to reorganize. Accordingly, the Debtors submit that ample cause exists to justify: (i) the immediate entry of an order granting the relief sought herein; and (ii) a waiver of the 14-day stay imposed by Bankruptcy Rule 6004(h), to the extent that it applies.

Consent to Jurisdiction

36. Pursuant to Rule 9013-(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules"), 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 order or judgment absent consent of the parties.

No Prior Request

37. No prior request for the relief sought herein has been made to this Court or any other court.

Notice

38. Notice of this motion will be provided to: (a) the Office of the United States Trustee for the District of Delaware; (b) the Debtors' largest unsecured creditors on a consolidated basis, as identified in their chapter 11 petitions; (c) Kirkland & Ellis LLP, as counsel to the ad hoc committee of a majority of holders of the Debtors' prepetition unsecured

notes; (d) counsel to JP Morgan Chase Bank, N.A., in its capacity as administrative agent for the senior secured lenders; (e) counsel to Wilmington Trust, National Association, in its capacity as the trustee under the respective prepetition indentures governing the unsecured notes; (f) counsel to Cantor Fitzgerald Securities LLC in its capacity as administrative agent under the proposed debtor in possession financing; and (g) all parties entitled to notice pursuant to Local Rule 9013-1(m). As this motion is seeking "first day" relief, this motion and any order entered hereon will be served in accordance with Local Rule 9013-1(m). Due to the nature of the relief requested herein, the Debtors respectfully submit that no further notice of this motion is necessary.

WHEREFORE, the Debtors respectfully request that the Court enter an interim order, substantially in the form attached hereto as Exhibit A and a final order: (i) granting the relief sought herein; and (ii) granting to the Debtors such other and further relief as the Court may deem proper.

Dated: December 31, 2015
Wilmington, Delaware

Respectfully submitted,

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PROPOSED ATTORNEYS FOR DEBTORS
AND DEBTORS IN POSSESSION

EXHIBIT A

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re	:	Chapter 11
	:	
SWIFT ENERGY COMPANY, <i>et al.</i> , ¹	:	Case No. 15-_____ (____)
	:	
Debtors.	:	(Jointly Administered)
	:	

**INTERIM ORDER (I) AUTHORIZING THE DEBTORS
TO PAY ROYALTIES, WITHHOLDING TAXES SEVERANCE
TAXES AND DELAY RENTALS AND (II) GRANTING RELATED RELIEF**

This matter coming before the Court on the Motion for an Order (I) Authorizing the Debtors to Pay Royalties, Withholding Taxes, Severance Taxes and Delay Rentals and (II) Granting Related Relief (the "Motion");² the Court having reviewed the Motion and the First Day Declaration and having considered the statements of counsel and the evidence adduced with respect to the Motion at a hearing before the Court (the "Hearing"); the Court having found that (i) the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, (ii) venue is proper in this district pursuant to 28 U.S.C. § 1409, (iii) this is a core proceeding pursuant to 28 U.S.C. § 157(b), (iv) notice of the Motion and the Hearing was sufficient under the circumstances, (v) the payment of the Obligations on the terms and conditions set forth herein is necessary and appropriate to prevent serious disruptions to the Debtors' business operations that would potentially cause immediate and irreparable harm to the Debtors and to preserve the going concern value of the Debtors' businesses and the Debtors' estates for the benefit of all

¹ The Debtors are the following nine entities (the last four digits of their respective taxpayer identification numbers follow in parentheses): Swift Energy Company (0661); Swift Energy International, Inc. (6721); Swift Energy Group, Inc. (8150); Swift Energy USA, Inc. (8212); Swift Energy Alaska, Inc. (6493); Swift Energy Operating, LLC (2961); GASRS LLC (4381); SWENCO-Western, LLC (0449); and Swift Energy Exploration Services, Inc. (2199). The address of each of the Debtors is 17001 Northchase Drive, Suite 100, Houston, Texas 77060.

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

stakeholders and (vi) good cause exists to waive the 14-day stay imposed by Bankruptcy Rule 6004(h) to the extent it is applicable; after due deliberation the Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates and their creditors; and good and sufficient cause having been shown;

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED on an interim basis as set forth herein.

2. On _____, 2016, at _____ .m. (ET),

a hearing will be held before this Court to consider the relief sought in the Motion on a final basis. All objections, if any, to the Motion shall be in writing and filed with this Court and served on counsel for the Debtors, any duly appointed committee, and the United States Trustee, so as to be received on or before _____, 2016 at 4:00 p.m. (ET).

3. The Debtors are authorized, but not directed, in a reasonable exercise of their business judgment, to: (a) satisfy all prepetition Obligations and (b) continue to satisfy such Obligations postpetition, in the ordinary course of business.

4. The Debtors are authorized, but not directed, to take all actions necessary to effectuate the relief granted pursuant to this interim Order in accordance with the Motion.

5. The Banks are authorized, when requested by the Debtors in the Debtors' sole discretion, to receive, process, honor and pay all checks presented for payment of, and to honor all fund transfer requests made by the Debtors related to Obligations whether such checks were presented or fund transfer requests were submitted prior to or after the Petition Date, provided that funds are available in the Debtors' accounts to cover such checks and fund transfers. The Banks are authorized to rely on the Debtors' designation of any particular check or funds transfer as approved by this interim Order.

6. Nothing in the Motion or this interim Order, nor the Debtors' payment of claims pursuant to this interim Order, shall be deemed or construed as: (i) an admission as to the validity of any claim against the Debtors; (ii) a waiver of the Debtors' rights to dispute any claim on any grounds; (iii) a promise to pay any claim; (iv) an implication or admission that any particular claim against the Debtors is a claim from any of the Obligations; or (v) a request to assume any executory contract or unexpired lease pursuant to section 365 of the Bankruptcy Code.

7. Notwithstanding anything to the contrary contained herein, the relief granted in this interim Order and any payment to be made hereunder shall be subject to the terms of any orders authorizing debtor-in-possession financing and/or granting the use of cash collateral approved by this Court in these chapter 11 cases (including with respect to any budgets governing or relating to such use), and to the extent there is any inconsistency between the terms of such financing and/or cash collateral orders and any action taken or proposed to be taken hereunder, the terms of such financing and/or cash collateral orders shall control.

8. Notwithstanding the applicability of Bankruptcy Rules 6004(h), 7062, 9014, or otherwise, this interim Order shall be immediately effective and enforceable upon its entry.

9. The requirements of Bankruptcy Rule 6003(b) have been satisfied with respect to the payments authorized by this interim Order.

Dated: _____, 2016
Wilmington, Delaware

UNITED STATES BANKRUPTCY JUDGE