

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

In re:)	
	)	Chapter 11
)	
CHAPARRAL ENERGY, INC., <i>et al.</i> , ¹	)	Case No. 20-11947 (MFW)
)	
Debtors.	)	(Jointly Administered)
)	
	)	Objection Deadline: September 8, 2020 at 4:00 p.m. (ET)
	)	Hearing Date: September 14, 2020 at 2:00 p.m. (ET)
)	
	)	Re: Docket Nos. 11 & 82

NOTICE OF (A) ENTRY OF INTERIM ORDER (I) AUTHORIZING THE DEBTORS TO PAY (A) ROYALTY PAYMENTS, (B) WORKING INTEREST DISBURSEMENTS, (C) NON-ROYALTY LEASE PAYMENTS, (D) OPERATING EXPENSES, AND (E) JOINT INTEREST BILLINGS, (II) AUTHORIZING FINANCIAL INSTITUTIONS TO HONOR AND PROCESS RELATED CHECKS AND FUND TRANSFERS, AND (III) GRANTING RELATED RELIEF; AND (B) FINAL HEARING THEREON

PLEASE TAKE NOTICE that, on August 16, 2020, Chaparral Energy, Inc. and its subsidiaries that are debtors and debtors in possession (collectively, the “**Debtors**”) filed the *Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay (A) Royalty Payments, (B) Working Interest Disbursements, (C) Non-Royalty Lease Payments, (D) Operating Expenses, and (E) Joint Interest Billings, (II) Authorizing Financial Institutions to Honor and Process Related Checks and Fund Transfers, and (III) Granting Related Relief* [Docket No. 11] (the “**Motion**”) with the United States Bankruptcy Court for the District of Delaware (the “**Court**”). A copy of the Motion is attached hereto as **Exhibit A**.

¹ The Debtors in these cases, along with the last four digits (or five digits, in cases in which multiple Debtors have the same last four digits) of each Debtor’s federal tax identification number, are: CEI Acquisition, L.L.C. (1817); CEI Pipeline, L.L.C. (6877); Chaparral Biofuels, L.L.C. (1066); Chaparral CO2, L.L.C. (1656); Chaparral Energy, Inc. (90941); Chaparral Energy, L.L.C. (20941); Chaparral Exploration, L.L.C. (1968); Chaparral Real Estate, L.L.C. (1655); Chaparral Resources, L.L.C. (1710); Charles Energy, L.L.C. (3750); Chestnut Energy, L.L.C. (9730); Green Country Supply, Inc. (2723); Roadrunner Drilling, L.L.C. (2399); and Trabajo Energy, L.L.C. (9753). The Debtors’ address is 701 Cedar Lake Boulevard, Oklahoma City, OK 73114.



PLEASE TAKE FURTHER NOTICE that, following an initial hearing to consider the Motion on August 18, 2020, the Court entered the *Interim Order (I) Authorizing the Debtors to Pay (A) Royalty Payments, (B) Working Interest Disbursements, (C) Non-Royalty Lease Payments, (D) Operating Expenses, and (E) Joint Interest Billings, (II) Authorizing Financial Institutions to Honor and Process Related Checks and Fund Transfers, and (III) Granting Related Relief* [Docket No. 82] (the “**Interim Order**”). A copy of the Interim Order is attached hereto as **Exhibit B**.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Interim Order, objections or responses to the final relief requested in the Motion, if any, must be made in writing, filed with the Court on or before **September 8, 2020 at 4:00 p.m. (prevailing Eastern Time)**.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Interim Order, the final hearing with respect to the Motion, if required, will be held before The Honorable Mary F. Walrath at the Court, 824 North Market Street, 5th Floor, Courtroom 4, Wilmington, Delaware 19801 on **September 14, 2020 at 2:00 p.m. (prevailing Eastern Time)**.

PLEASE TAKE FURTHER NOTICE THAT, IF NO OBJECTIONS TO THE MOTION ARE TIMELY FILED IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE FINAL RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

Dated: August 18, 2020
Wilmington, Delaware

/s/ Travis J. Cuomo

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EXHIBIT A

Motion

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

In re:)	
	)	Chapter 11
CHAPARRAL ENERGY, INC., <i>et al.</i> ,)	
	)	Case No. 20-____ (____)
Debtors. ¹	)	(Joint Administration Requested)
)	

**MOTION OF DEBTORS FOR ENTRY OF INTERIM AND FINAL ORDERS
(I) AUTHORIZING THE DEBTORS TO PAY (A) ROYALTY PAYMENTS,
(B) WORKING INTEREST DISBURSEMENTS, (C) NON-ROYALTY LEASE
PAYMENTS, (D) OPERATING EXPENSES, AND (E) JOINT INTEREST BILLINGS,
(II) AUTHORIZING FINANCIAL INSTITUTIONS TO HONOR AND PROCESS
RELATED CHECKS AND FUND TRANSFERS, AND (III) GRANTING RELATED
RELIEF**

Chaparral Energy, Inc. and its subsidiaries that are debtors and debtors in possession (collectively, the “**Debtors**”) in the above-captioned cases (the “**Chapter 11 Cases**”), hereby move (this “**Motion**”) for entry of interim and final orders, substantially in the forms attached hereto as **Exhibit A** and **Exhibit B** (respectively, the “**Interim Order**” and the “**Final Order**”), granting the relief described below. In support thereof, the Debtors refer to the contemporaneously filed *Declaration of Charles Duginski in Support of Chapter 11 Petitions and First Day Pleadings* (the “**First Day Declaration**”) and further represent as follows:

JURISDICTION

1. The United States Bankruptcy Court for the District of Delaware (the “**Court**”) has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the

¹ The Debtors in these cases, along with the last four digits (or five digits, in cases in which multiple Debtors have the same last four digits) of each Debtor’s federal tax identification number, are: CEI Acquisition, L.L.C. (1817); CEI Pipeline, L.L.C. (6877); Chaparral Biofuels, L.L.C. (1066); Chaparral CO2, L.L.C. (1656); Chaparral Energy, Inc. (90941); Chaparral Energy, L.L.C. (20941); Chaparral Exploration, L.L.C. (1968); Chaparral Real Estate, L.L.C. (1655); Chaparral Resources, L.L.C. (1710); Charles Energy, L.L.C. (3750); Chestnut Energy, L.L.C. (9730); Green Country Supply, Inc. (2723); Roadrunner Drilling, L.L.C. (2399); and Trabajo Energy, L.L.C. (9753). The Debtors’ address is 701 Cedar Lake Boulevard, Oklahoma City, Oklahoma 73114.

Amended Standing Order of Reference from the United States District Court for the District of Delaware, dated February 29, 2012. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Pursuant to Rule 9013-1(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 order by the Court in connection with this Motion to the extent that it is later determined that the Court, absent consent of the parties, cannot enter final orders or judgments consistent with Article III of the United States Constitution.

2. Venue of the Chapter 11 Cases and related proceedings is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

3. The statutory predicates for the relief requested herein are sections 105(a) and 363(b) of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the “**Bankruptcy Code**”), Rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), and Local Rule 9013-1(m).

BACKGROUND

4. On August 16, 2020 (the “**Petition Date**”), the Debtors filed voluntary petitions in this Court commencing the Chapter 11 Cases. 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 yet been appointed.

5. The Debtors commenced the Chapter 11 Cases to implement their comprehensive, prepackaged plan of reorganization (the “**Plan**”). The Plan is the result of extensive negotiations between the Debtors, their revolving lenders, and their unsecured noteholders, who have agreed on a comprehensive balance sheet restructuring that will reduce the Debtors’ debt burden and increase liquidity. Holders of more than 75% of the Debtors’ outstanding

revolving loans and more than 75% of the Debtors' outstanding unsecured notes have documented their support for the Plan and the Chapter 11 Cases by executing a restructuring support agreement prior to the Petition Date. Under the Plan, the Debtors will equitize all of their approximately \$300 million of unsecured notes, eliminating a significant portion of their prepetition debt, and convert the revolving loans into an exit facility. Importantly, the Plan contemplates that allowed general unsecured claims will remain unimpaired and be paid in full or "ride through" the Chapter 11 Cases.

6. Additional information about the Debtors, including their business operations, their capital structure and prepetition indebtedness, and the events leading to the filing of the Chapter 11 Cases, is set forth in detail in the First Day Declaration, which is incorporated herein by reference.

RELIEF REQUESTED

7. By this Motion, pursuant to sections 105(a) and 363(b) of the Bankruptcy Code, Bankruptcy Rules 6003 and 6004, and Local Rule 9013-1(m), the debtors request entry of an interim order and a final order (a) authorizing the Debtors to pay in the ordinary course of business, whether such obligations were incurred prepetition or will be incurred postpetition, Royalty Payments, Non-Royalty Lease Payments, Working Interest Disbursements, Operating Expenses, and Joint Interest Billings (each as defined herein and, collectively, the "**Obligations**"), (b) authorizing and directing all banks to receive, process, honor, and pay all of the Debtors' prepetition checks and fund transfers on account of any obligations authorized to be paid pursuant hereto, and (c) granting related relief.

THE DEBTORS' OIL AND GAS OBLIGATIONS

A. Royalty Payments and Non-Royalty Lease Payments

8. A mineral interest generally consists of an interest in the oil and gas in place under a parcel of property and the exclusive right to explore, drill, produce, and otherwise capture such oil and gas from the land. Through a written agreement (an "**Oil and Gas Lease**"), owners of mineral interests ("**Mineral Interest Owners**") lease or otherwise convey the exclusive right to capture oil and gas (the "**Working Interest**") to a third party (a "**Working Interest Owner**") in exchange for either a share of production or payments in lieu of a share of production (a "**Royalty Interest**" and such payments, "**Royalty Payments**").

9. The nature of Royalty Interests retained by Mineral Interest Owners ("**Royalty Interest Owners**") can take many forms, including landowner's royalty interests, overriding royalty interests, net profits interests, non-participating royalty interests, and production payments. In addition, Oil and Gas Leases often entitle Mineral Interest Owners to an upfront payment per acre, delay rental payments,² lease extension payments,³ shut-in payments,⁴ minimum royalty payments,⁵ and similar payments (collectively, "**Non-Royalty Lease Payments**"). In each

² Some Oil and Gas Leases require the Working Interest Owner to make an annual payment where a well is not drilled on the leased property (a "**Delay Rental**"). The payment of a Delay Rental effectively postpones the Working Interest Owner's obligation to explore and develop the leased property for the period for which the Delay Rental is paid. Therefore, if a Delay Rental is paid on or before the anniversary date for each year during the primary term of a particular Oil and Gas Lease, then such Oil and Gas Lease will remain in full force and effect and the Working Interest Owner will not be required to engage in exploration and development.

³ Some Oil and Gas Leases require the Working Interest Owner to make a payment to the Mineral Interest Owner to extend the lease where a well is not drilled on the leased property in the primary term.

⁴ Some Oil and Gas Leases require the Working Interest Owner to make monthly payments as a substitute for Royalty Payments to hold a lease in the secondary term where a well has been drilled on the leased property and is capable of production, but is not actually producing.

⁵ Some Oil and Gas Leases require the Working Interest Owner to make a minimum royalty payment where the value of the royalty revenue is below a certain level.

case, Mineral Interest Owners are not obligated to pay any of the costs associated with exploration or production of oil and gas.

10. The Debtors are parties to approximately 13,083 lease tracts, substantially all of which are located in Oklahoma and each of which is subject to one or more Royalty Interests. The Debtors primarily make Royalty Payments and Non-Royalty Lease Payments on account of Oil and Gas Leases in which the Debtors serve as the Operator (as defined herein). In Oil and Gas Leases where the Debtors hold only a Non-Operating Working Interest (as defined herein), Royalty Payments and Non-Royalty Lease Payments are generally paid by a third-party Operator on behalf of the Debtors before the Debtors receive their periodic *pro rata* Working Interest Disbursements.⁶

11. Over the last twelve months, the Debtors made approximately \$55,000,000 in Royalty Payments and \$95,000 in Non-Royalty Lease Payments. Although the monthly amount of Royalty Payments paid by the Debtors varies based on actual production, over the last twelve months, the Debtors paid approximately \$4,600,000 in Royalty Payments each month. The Debtors make Royalty Payments to Royalty Interest Owners by the end of the month following the month during which the first purchaser remitted payment.⁷

⁶ In certain instances, the Debtors, as Non-Operating Working Interest Owners (as defined herein), do not elect to have the Operator of the well market the Debtor's production and instead receive payment "in-kind" (i.e., in the form of oil or gas). In these instances, the Debtors market the oil and gas for their own account and make the appropriate Royalty Payments and Non-Royalty Lease Payments to the Royalty Interest Owners.

⁷ In addition, certain Royalty Interest Owners perform periodic audits to determine whether the amounts owed by the Debtors should be recalculated based upon the production from the relevant Oil and Gas Leases. In the ordinary course of business, the Debtors may provide additional payments to Royalty Interest Owners if the Debtors determine that they have underpaid such Royalty Interest Owners. Alternatively, the Debtors may receive payments from Royalty Interest Owners if the Debtors determine they have overpaid such Royalty Interest Owners. The Debtors reserve all rights with respect to any and all alleged underpayments or overpayments of Royalty Payments, including with respect to the payment, treatment, and classification thereof in these Chapter 11 Cases.

12. As of the Petition Date, the Debtors estimate that they owe approximately \$12,940,000 in unpaid prepetition Royalty Payments,⁸ of which \$9,192,000 will come due and owing in the interim period, and approximately \$1,000 on account of prepetition Non-Royalty Lease Payments. Accordingly, the Debtors request authority to remit (i) up to \$9,192,000 of such prepetition Royalty Payments and any and all prepetition Non-Royalty Lease Payments on an interim basis and (ii) any and all prepetition Royalty Payments and Non-Royalty Lease Payments upon entry of the Final Order granting the relief requested herein, and to continue incurring and paying such Royalty Payments and Non-Royalty Lease Payments in the ordinary course of business on a postpetition basis.

B. Working Interests and Working Interest Disbursements

13. As discussed above, Working Interests are created when a Mineral Interest Owner conveys its rights to extract minerals from its land to a third party. Unlike Royalty Interest Owners, Working Interest Owners bear the cost of exploration, development and operation of the property. Each state in which the Debtors operate oil and gas wells has a state agency which governs oil and gas exploration and production (an “Agency”).⁹ Each Agency establishes rules governing the number of acres which can be embraced by an oil or gas well (a “Unit”) and each Working Interest Owner in the Unit owns a *pro rata* share of the Unit based on the proportion of leased acres such owner contributes to the Unit.

⁸ Of this amount, approximately \$3,928,000 relates to obligation in suspense (the “Suspense Funds”). The Suspense Funds are amounts that are due and owing to certain Royalty Interest Owners and Working Interest Owners but are unpayable for a variety of reasons, including, but not limited to, ongoing disputes over ownership of the underlying interest, incorrect contact information, etc. The Debtors reserve all rights with respect to the Suspense Funds, including with respect to the payment, treatment, and classification thereof in these Chapter 11 Cases.

⁹ The regulatory agency in Oklahoma is the Oklahoma Corporation Commission.

14. To govern the relationship between them, the Working Interest Owners in a Unit often enter into joint operating agreements, pooling agreements, unitization agreements or similar agreements, and Agencies may establish terms under which Working Interest Owners jointly develop the Unit through forced pooling orders, which function similarly to joint operating agreements (such joint operating agreements, pooling agreements, unitization agreements or similar agreements and pooling orders, collectively, “**Joint Operating Agreements**”). Joint Operating Agreements memorialize the terms under which the revenues and costs from the Oil and Gas Leases covered by the Joint Operating Agreement will be split. Typically, a Joint Operating Agreement will designate one Working Interest Owner as the operator (an “**Operator**”) to conduct the day-to-day business of producing oil and gas at the site. The Operator also covers the expenses incurred in the drilling and operation of the wells (the “**Operating Expenses**”), including payments to third parties that perform labor or furnish or transport materials, equipment, or supplies used in the drilling, operating, or maintaining of an oil and gas property (the “**Mineral Contractors**”), on behalf of itself and the other parties to the Joint Operating Agreement holding non-operating Working Interests (each, a “**Non-Operating Working Interest**” and the owners thereof, “**Non-Operating Working Interest Owners**”). The Non-Operating Working Interest Owners are responsible for their *pro rata* portion of the Operating Expenses, so the Operator will typically seek reimbursement for each Non-Operating Working Interest Owner’s *pro rata* share of Operating Expenses as provided in the Joint Operating Agreements (the “**Joint Interest Billings**”).¹⁰ The Operator is often responsible for marketing and selling the oil and gas produced on a well governed by a Joint Operating Agreement. After selling the oil and gas, the Operator

¹⁰ The primary obligation of the Non-Operating Working Interest Owners with respect to a well, subject to a Joint Operating Agreement, is to pay their Joint Interest Billings to the Operator pursuant to the terms contained in the Joint Operating Agreement.

typically distributes the proceeds (the “**Working Interest Disbursements**”) from the oil and gas to the corresponding Non-Operating Working Interest Owners in accordance with each party’s interest therein.¹¹

15. Where the Debtors serve as the Operator, the Debtors are required to make Working Interest Disbursements to Non-Operating Working Interests Owners by the end of the month following the month during which the first purchaser remitted payment.¹² On average over the last twelve months, the Debtors generated approximately \$20,800,000 in revenue each month from operations on Oil and Gas Leases for which the Debtors serve as the Operator. These revenues were divided among the Debtors, Non-Operating Working Interest Owners, and Royalty Interest Owners in the Unit through the payment of Working Interest Disbursements and Royalty Payments.

16. In the twelve months preceding the Petition Date, the Debtors remitted approximately \$35,100,000 in Working Interest Disbursements. Working Interest Disbursements are not uniform or entirely predictable on a month-to-month basis. The Debtors request authorization from the Court to remit undisputed, prepetition Working Interest Disbursements in the Debtors’ ordinary course of business. As of the Petition Date, the Debtors estimate that they have generated and currently hold prepetition Working Interest Disbursements owed to Working Interest Owners in the approximate amount of \$8,530,000, \$3,575,000 of which will come due and owing in the interim period.¹³ The Debtors request authority to remit (i) up to \$3,575,000 of such

¹¹ The majority of Working Interest Disbursements are made in cash; however, occasionally Non-Operating Working Interest Owners may take their share of production in kind.

¹² For example, when oil or gas is produced and sold in January, the first purchaser would make payment to the Operator for the oil or gas sold by the end of February, and the Operator would distribute the revenues to Working Interest Owners by the end of March. Debtors typically make Working Interest Distributions to Working Interest Owners between the 24th and 27th day of the month in which payment is due.

¹³ Of this amount, approximately \$3,543,000 are Suspende Funds.

prepetition Working Interest Disbursements on an interim basis and (ii) any and all prepetition Working Interest Disbursements upon entry of the Final Order granting the relief requested herein, and to continue making such Working Interest Disbursements in the ordinary course of business on a postpetition basis.

C. Operating Expense Obligations

17. As discussed above, the Debtors pay significant Operating Expenses in the ordinary course of business related to the day-to-day costs of exploration, drilling and production of the oil and gas properties for which they serve as an Operator. Operating Expenses vary according to the work performed on a given well and, accordingly, are not entirely predictable on a month-to-month basis.¹⁴ Regardless of when the Debtors may receive reimbursements from Non-Operating Working Interest Owners, the Debtors are typically required to pay Operating Expenses within 30 to 45 days of receiving an invoice from the Mineral Contractors and other third-party providers. In turn, at the end of each calendar month, the Debtors generate, and promptly mail, a Joint Interest Billing invoice (the “**JIB Statement**”) for each holder of a Non-Operating Working Interest. Non-Operating Working Interest Owners typically remit payment to the Debtors within 30 to 45 days following the receipt of their JIB Statement.

18. In addition, with respect to certain Operating Expenses, the Debtors may require Non-Operating Working Interest Owners to prepay their estimated pro rata share of the Operating Expenses as provided in the Joint Operating Agreements. If the actual Operating Expenses are ultimately less than the estimated Operating Expenses for which the Non-Operating Working Interest Owners prepaid, the Non-Operating Working Interest Owners are entitled to

¹⁴ For example, maintenance, repair or replacement of well equipment, expenses arising from severe weather, and similar expenses vary from month to month. Such expenses are treated as Operating Expenses and shared among all Working Interest Owners in a Unit.

reimbursement for the amount of the overpayment. The Non-Operating Working Interest Owners may be entitled to reimbursement of such overpayments in cash upon request as provided in the Joint Operating Agreements. The Debtors will occasionally apply such overpayments against the JIB Statements in lieu of cash refund upon request of the Non-Operating Working Interest Owner.

19. In the twelve months preceding the Petition Date, the Debtors paid approximately \$215,000,000 in Operating Expenses. Of that amount, Non-Operating Working Interest Owners reimbursed the Debtors for approximately \$28,300,000 on account of Joint Interest Billings.

20. By this motion, the Debtors seek to pay their undisputed Operating Expenses owed in the ordinary course of business and to apply undisputed obligations to Non-Operating Working Interest Owners in respect of prepaid Operating Expenses against JIB Statements or in cash as required by the Joint Operating Agreements. As of the Petition Date, the Debtors estimate that they have approximately \$9,237,000 of Operating Expenses outstanding, for which they expect to be reimbursed approximately \$800,000 by holders of Non-Operating Working Interests. The Debtors request approval to (i) pay up to \$5,042,000 of the prepetition Operating Expenses upon entry of an Interim Order, and (ii) any and all prepetition Operating Expenses upon entry of the Final Order granting the relief requested herein, and to continue making such Operating Expenses in the ordinary course of business on a postpetition basis.

D. Non-Operating Working Interest Obligations

21. The Debtors hold Non-Operating Working Interests in 1,934 wells for which third parties serve as Operators. In such instances, the Debtors receive payment from Operators representing their share of production revenues. The Debtors, in turn, must timely pay the Operators the Joint Interest Billings in accordance with the Joint Operating Agreements.

22. Where the Debtors hold a Non-Operating Working Interest, the Joint Operating Agreement and applicable law often grant the Operator a contractual or statutory lien on the Debtors' Non-Operating Working Interest to secure the Debtors' payment obligations owed to the Operator. As such, failure to timely pay the Joint Interest Billings may result in Operators asserting liens on the Debtors' interests in the wells, the Oil and Gas Leases or the Debtors' *pro rata* portion of the production or revenue therefrom.

23. In the twelve months preceding the Petition Date, the Debtors paid approximately \$14,000,000 in Joint Interest Billings. As of the Petition Date, the Debtors estimate that they have approximately \$7,612,000 of prepetition Joint Interest Billings incurred but not invoiced or paid under the terms of their Joint Operating Agreements. To preserve and protect their share of production and revenue from these properties and maintain their relationships with the Operators of these properties, both during and after the pendency of these Chapter 11 Cases, the Debtors request approval to pay (i) up to \$2,807,000 in prepetition Joint Interest Billings on an interim basis, and (ii) any and all prepetition Joint Interest Billings upon entry of the Final Order granting the relief requested herein, and to continue making such Joint Interest Billings in the ordinary course of business on a postpetition basis.

BASIS FOR RELIEF REQUESTED

A. Payment of the Obligations is Warranted Under Sections 105(a) and 363(b) of the Bankruptcy Code

24. Section 363 of the Bankruptcy Code provides, in relevant part, that “[t]he [debtor], 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). Under section 363(b), courts in this jurisdiction require only that the debtor “show that a sound business purpose” justifies the proposed use of property. *In re Montgomery Ward Holding Corp.*, 242 B.R. 147, 153 (D. Del.

1999); *see also In re Phx. Steel Corp.*, 82 B.R. 334, 335-36 (Bankr. D. Del. 1987) (requiring “good business reason” for use under section 363(b) of the Bankruptcy Code). Moreover, “[w]here the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor’s conduct.” *In re Johns-Manville Corp.*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986); *see also In re Tower Air, Inc.*, 416 F.3d 229, 238 (3d Cir. 2005) (“Overcoming the presumptions of the business judgment rule on the merits is a near-Herculean task.”). Section 105(a) of the Bankruptcy Code further provides that a court “may issue any order, process or judgment that is necessary or appropriate to carry out the provisions of” the Bankruptcy Code, pursuant to the “doctrine of necessity.” 11 U.S.C. § 105(a).

25. The “doctrine of necessity” functions in a chapter 11 case as a mechanism by which the bankruptcy court can exercise its equitable power to allow payment of critical prepetition claims not explicitly authorized by the Bankruptcy Code and further supports the relief requested herein. *See In re Lehigh & New Eng. Ry.*, 657 F.2d 570, 581 (3d Cir. 1981) (holding that a court may authorize payment of prepetition claims if such payment is essential to debtor’s continued operation); *see also In re Just for Feet, Inc.*, 242 B.R. 821, 824-25 (D. Del. 1999) (holding that section 105(a) of the Bankruptcy Code “provides a statutory basis for payment of pre-petition claims” under the doctrine of necessity); *In re Columbia Gas Sys., Inc.*, 171 B.R. 189, 191-92 (Bankr. D. Del. 1994) (explaining that the doctrine of necessity is the standard in the Third Circuit for enabling a court to authorize the payment of prepetition claims prior to confirmation of a reorganization plan).

26. The relief requested herein is appropriate and warranted under both sections 363(b) and 105(a) of the Bankruptcy Code. The authority to satisfy the Obligations in the ordinary

course without disrupting the Debtors' operations will send a clear signal to the marketplace that the Debtors are willing and able to conduct business as usual during these Chapter 11 Cases. If the relationships established by the Debtors with the Royalty Interest Owners, Working Interest Owners, Mineral Contractors, or Operators are harmed, whether through non-payment or perceived difficulties of working with a chapter 11 debtor, the Debtors may be unable to secure future opportunities with those parties and other third parties may be unwilling to engage in new business with the Debtors going forward. If that were to occur, the negative impact on the Debtors' business, their estates and creditors would be substantial. Additionally, certain parties may allege, among other things, that making payment of the Royalty Payments, Working Interest Disbursements, and Non-Royalty Lease Payments is a condition to the continued effectiveness of the Oil and Gas Leases and the related agreements. Therefore, failure to honor prepetition Royalty Payments, Working Interest Disbursements, and Non-Royalty Lease Payments could jeopardize the Debtors' ownership of the Oil and Gas Leases. By paying these undisputed obligations (following any setoff which the Debtors may be entitled to assert), the Debtors seek to avoid time-consuming and costly disputes with essential counterparties and to ensure the continued existence of the underlying Oil and Gas Leases and their ability to operate, thereby preserving and maximizing estate value for the benefit of all stakeholders.

27. Furthermore, payment of the Operating Expenses and Joint Interest Billings is necessary and critical to the Debtors' efforts to maximize estate value. If the Debtors are not permitted to pay the Operating Expenses, the unpaid Mineral Contractors and other parties to whom Operating Expenses are owed could seek to assert statutory liens on, among other things, the wells, the production and proceeds therefrom, and the Debtors' Working Interests. Moreover, failure to timely pay the Operating Expenses may provide grounds for Non-Operating Working

Interest Owners to remove the Debtors as Operators under their Joint Operating Agreements.¹⁵ Payment of Joint Interest Billings is necessary to preserve the value of the Debtors' Non-Operating Working Interests. As discussed above, Joint Operating Agreements and applicable law often grant such third-party Operators a contractual or statutory lien on the Debtors' Non-Operating Working Interest to secure the Debtors' payment obligations owed to the Operator. As such, failure to timely pay the Joint Interest Billings may result in third-party Operators asserting liens on the Debtors' interests in the wells, the Oil and Gas Leases, or the Debtors' *pro rata* portion of the production or revenue therefrom.

28. Based on the consequences that could result if the Debtors fail to honor the Obligations, the Debtors submit that the relief requested herein represents a sound exercise of the Debtors' business judgment, is necessary to avoid immediate and irreparable harm to the Debtors' estates, and is, therefore, justified under sections 105(a) and 363(b) of the Bankruptcy Code.

29. Courts in this district have routinely authorized payments of prepetition Royalty Payments, Working Interest Disbursements, Non-Royalty Lease Payments, Operating Expenses, and Joint Interest Billings under similar circumstances. *See, e.g., In re Chisholm Oil and Gas Operating, LLC*, Case No. 20-11593 (BLS) (Bankr. D. Del. June 19, 2020); *In re MTE Holdings LLC*, Case No. 19-12269 (CSS) (Bankr. D. Del. Dec. 30, 2019); *In re Arsenal Res. Dev. LLC*, Case No. 19-12347 (BLS) (Bankr. D. Del. Dec. 3, 2019); *In re Elk Petroleum, Inc.*, Case No. 19-11157 (LSS) (Bankr. D. Del. June 17, 2019); *In re Bonanza Creek Energy, Inc.*, Case No. 17-10015 (KJC) (Bankr. D. Del. Jan. 26, 2017); *In re Chaparral Energy, Inc.*, Case No. 16-11144 (LSS) (Bankr. D. Del. June 7, 2016); *In re Samson Res. Corp.*, Case No. 15-11934 (CSS) (Bankr.

¹⁵ The Debtors express no opinion as to whether failure to pay any particular Operating Expense would constitute grounds for asserting a statutory lien or for removal under the terms of any particular Joint Operating Agreement, and all of the Debtors' rights with respect to such matters are expressly reserved.

D. Del. Oct. 29, 2015); *In re Quicksilver Res. Inc.*, Case No. 15-10585 (LSS) (Bankr. D. Del. Apr. 14, 2015).

B. Parties Are Expected to Assert That Funds Held on Account of Royalty Payments or Working Interest Disbursements Are Not Property of the Debtors' Estates

30. With certain exceptions, section 541 of the Bankruptcy Code provides that all property to which a debtor has legal or equitable interest becomes property of the estate upon the commencement of a chapter 11 case. *See* 11 U.S.C. § 541(a)(1). This includes any interest in property that the estate acquires after commencement of the chapter 11 cases. *See* 11 U.S.C. § 541(a)(7). However, Section 541 does not by itself create new legal or equitable interests in property; instead, “[p]roperty interests are created and defined by state law.” *Butner v. United States*, 440 U.S. 48, 54-55 (1979) (noting that “Congress has generally left the determination of property rights in the assets of a bankrupt’s estate to state law”). Thus, if a debtor holds no legal or equitable interest in property as of the commencement of the case, such property does not become property of the debtor’s estate under Section 541 and the debtor is prohibited from distributing such property to its creditors. *Pearlman v. Reliance Ins. Co.*, 371 U.S. 132, 135-36 (1962) (“The Bankruptcy Act simply does not authorize a [debtor] to distribute other people’s property among a bankrupt’s creditors. . . . [S]uch property rights existing before bankruptcy in persons other than the bankrupt must be recognized and respected in bankruptcy.”); *see also Boyd v. Martin Exploration Co. (In re Martin Exploration Co.)*, 56 B.R. 776, 779 (E.D. La. 1986) (holding that debtor had neither legal nor equitable title to the royalty interests it had conveyed).

31. Further, section 541(d) of the Bankruptcy Code provides that a debtor who holds only bare legal title to property but not equitable interest in such property as of the commencement of the case does not obtain equitable interest in such property pursuant to Bankruptcy Section 541. Specifically, it states:

Property in which the debtor holds, as of the commencement date of the case, only legal title and not an equitable interest . . . becomes property of the estate under subsection (a)(1) or (2) of this section only to the extent of the debtor's legal title to such property, but not to the extent of any equitable interest in such property that the debtor does not hold.

11 U.S.C. § 541(d).

32. Accordingly, Royalty Interest Owners and Working Interest Owners are expected to argue that the Debtors hold only legal title to funds on account of Royalty Payments and Working Interest Disbursements, and, therefore, such funds are not property of the Debtors' estates and must be turned over to the owners of such property. *See In re MCZ, Inc.*, 82 B.R. 40, 42 (Bankr. S.D. Tex. 1987) ("Where 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."). In addition, Royalty Interest Owners and Working Interest Owners are expected to argue that any such funds earned during the pendency of these Chapter 11 Cases are not property of the Debtors' estates under section 541(a)(6) of the Bankruptcy Code. *See* 11 U.S.C. § 541(a)(6) (providing that only proceeds, product, offspring, rents or profits of or from property of the estate constitutes property of the estate under section 541 of the Bankruptcy Code).¹⁶

33. If funds held on account of Royalty Payments and Working Interest Disbursements are not property of the estate, it is unclear whether the automatic stay would prevent an action by a Royalty Interest Owner or Working Interest Owner to obtain possession or exercise control over such funds. *See* 11 U.S.C. § 362(a)(3) (providing that the automatic stay is applicable

¹⁶ The Debtors do not concede that such funds are not property of the Debtors' estates. The Debtors expressly reserve all rights with respect to any such contention.

to all entities for “any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate”).

34. Failure to grant the relief requested by this Motion could subject the Debtors to unnecessary litigation at a time when their resources are already subject to enormous strain. As such, the Debtors believe payment of the Royalty Payments and Working Interest Disbursements in the ordinary course of business is in the best interests of the Debtors and their creditors, and should be authorized by the Court.

C. Parties May Assert Statutory Liens Against the Debtors’ Assets if the Obligations Are Not Honored

35. The Debtors believe that failure to honor the Obligations may also result in certain parties seeking to assert statutory liens against the Debtors’ property.¹⁷ Oklahoma and Texas provide an automatic security interest in favor of owners of interests in oil and gas properties in certain circumstances. *See* 52 Okla Stat § 52-549.4; Tex. Bus. & Com. Code Ann. § 9.343. In addition, where the Debtors hold a Non-Operating Working Interest, state law may grant the Operator special rights to a contractual or statutory lien to secure the obligations owed to the Operator on account of the Debtors’ interests in the Oil and Gas Leases. *See, e.g.*, Okla. Stat. Tit. 52, § 287.8 (“the unit shall have a first and prior lien upon the leasehold estate and other oil and gas rights in and to each separately-owned tract, [and] the interest of the owners thereof in and to the unit production . . . to secure the payment of the amount of the unit expense charged to and assessed against such separately-owned tract”).

36. Pursuant to section 362(b)(3) of the Bankruptcy Code, the act of perfecting statutory liens, to the extent consistent with section 546(b) of the Bankruptcy Code, is expressly excluded from the automatic stay. *See* 11 U.S.C. § 362(b)(3). Moreover, under section 546(b) of

¹⁷ The Debtors reserve all rights with respect to any and all statutory liens asserted against the Debtors’ property.

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, failure to pay the Royalty Payments, Working Interest Disbursements, or Joint Interest Billing could result in parties seeking to assert and perfect liens or interests against the Debtors' property notwithstanding the automatic stay. Moreover, to protect any rights that they may have to assert liens, such parties may also refuse to release goods or property in their possession unless and until their prepetition claims have been satisfied. In order to avoid the potential expenses and burdens associated with the exercise of any such rights, including the costs of litigation and the need to pay postpetition interest on account of oversecured claims, the Debtors submit that paying outstanding prepetition obligations in the ordinary course of business is value maximizing to all stakeholders.

D. Certain Payment Is Entitled to Priority Under Section 503(b)(9) of the Bankruptcy Code

37. In addition to the foregoing, certain Operating Expenses will be entitled to priority under section 503(b)(9) of the Bankruptcy Code. Section 503(b)(9) provides administrative priority for the "value of any goods received by the debtor within 20 days before the date of commencement of a case under this title in which goods have been sold to the debtor in the ordinary course of such debtor's business." These claims must be paid in full for the Debtors to confirm a chapter 11 plan. *See* 11 U.S.C. § 1129(a)(9)(A). Consequently, payment of such claims now only provides such parties with what they would be entitled to receive under a chapter 11 plan. Indeed, all creditors will benefit from the seamless transition of the Debtors' operations into bankruptcy.

38. Absent payment of the 503(b)(9) Claims at the outset of these chapter 11 cases—which merely accelerates the timing of payment and not the ultimate treatment of such claims—the Debtors could be denied access to the equipment and goods necessary to maintain the Debtors’ business operations. Failure to honor these claims in the ordinary course of business may also cause the Debtors’ vendor base to withhold support for the Debtors during the chapter 11 process. Such vendors could accelerate or eliminate favorable trade terms. Needless to say, such costs and distractions could impair the Debtors’ ability to stabilize their operations at this critical juncture to the detriment of all stakeholders.

39. In addition, courts in this district and others have regularly authorized the payment of claims arising under section 503(b)(9) of the Bankruptcy Code in the ordinary course of business. *See, e.g., In re Boy Scouts of Am. & Del. BSA, LLC*, No. 20-10343 (LSS) (Bankr. D. Del. March 13, 2020); *In re Borden Dairy Co.*, No. 20-10010 (CSS) (Bankr. D. Del. March 4, 2020); *In re BL Rests. Holding, LLC*, No. 20-10156 (MFW) (Bankr. D. Del. Feb. 26, 2020); *In re Dura Auto. Sys.*, No. 19-12378 (KBO) (Bankr. D. Del. Nov. 19, 2019); *In re Cloud Peak Energy Inc.*, No. 19-11047 (KG) (Bankr. D. Del. June 11, 2019); *In re Hexion Holdings LLC*, No. 19-10684 (KG) (Bankr. D. Del. May 1, 2019); *In re Imerys Talc Am., Inc.*, No. 19-10289 (LSS) (Bankr. D. Del. March 19, 2019); *In re The NORDAM Grp., Inc.*, No. 18-11699 (MFW) (Bankr. D. Del. Aug. 29, 2018).

**APPLICABLE FINANCIAL INSTITUTIONS SHOULD BE
AUTHORIZED TO HONOR AND PROCESS RELATED CHECKS AND TRANSFERS**

40. The Debtors also request that all applicable financial institutions be authorized to (a) receive, process, honor, and pay all checks presented for payment of, and to honor all fund transfer requests made by the Debtors related to, the claims that the Debtors request authority to pay in this Motion, regardless of whether the checks were presented or fund transfer

requests were submitted before, on, or after the Petition Date and (b) rely on the Debtors' designation of any particular check as approved by the Proposed Orders.

**BANKRUPTCY RULE 6003 HAS BEEN SATISFIED AND
BANKRUPTCY RULE 6004 SHOULD BE WAIVED**

41. Pursuant to Bankruptcy Rule 6003, the Court may grant relief regarding a motion to pay all or part of a prepetition claim within twenty-one days after the Petition Date if the relief is necessary to avoid immediate and irreparable harm. *See* Fed. R. Bankr. P. 6003(b). Based on the foregoing, the Debtors submit that they have satisfied the requirements of Bankruptcy Rule 6003(b) because the relief set forth in Exhibit A is necessary to avoid immediate and irreparable harm.

42. 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

43. Nothing contained herein is intended or should be construed as, or deemed to constitute (a) an admission as to the amount, basis for, or validity of any agreement or claim against the Debtors under the Bankruptcy Code or applicable nonbankruptcy law; (b) a waiver or impairment of the Debtors' or any other party in interest's right to dispute any claim; (c) a promise

or requirement to pay any particular claim; (d) an implication or admission that any particular claim is of the type specified or defined in this Motion; (e) a request or authorization to assume, adopt, or reject any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code; (f) an admission as to the validity, priority, enforceability, or perfection of any lien on, security interest in, or other encumbrance on property of the Debtors' estates; or (g) a waiver of any claims or causes of action which may exist against any entity under the Bankruptcy Code or applicable law. If the Court grants the relief sought herein, any payment made pursuant to the Court's order is not intended and should not be construed as an admission as to the validity of any particular claim or a waiver of the Debtors' rights to subsequently dispute such claim.

NOTICE

44. Notice of this Motion will be given to (a) the Office of the United States Trustee for the District of Delaware; (b) the administrative agent for the Debtors' prepetition revolving credit facility; (c) counsel to the administrative agent for the Debtors' prepetition revolving credit facility; (d) the indenture trustee under the Debtors' 8.750% senior notes due 2023; (e) Stroock & Stroock & Lavan LLP and Young, Conaway, Stargatt & Taylor, LLP as counsel to the ad hoc group of holders of the 8.750% senior notes due 2023; (f) the Internal Revenue Service; (g) the Environmental Protection Agency and similar state environmental agencies for states in which the Debtors conduct business; (h) the United States Attorney for the District of Delaware; (i) the Attorneys General for the states of Oklahoma and Texas; (j) counsel to Naylor Farms, Inc. and Harrel's LLC, as lead plaintiffs in the action captioned *Naylor Farms, Inc., individually and as class representative on behalf of all similarly situated persons v. Chaparral Energy, L.L.C.*, Case No. 11-00634 (W.D. Ok. 2011); (l) the parties included on the Debtors' consolidated list of top (20) largest unsecured creditors; and (m) any party that is entitled

to notice pursuant to Local Rule 9013-1(m) (collectively, the “**Notice Parties**”). The Debtors submit that, under the circumstances, no other or further notice is required.

WHEREFORE, the Debtors respectfully request that the Court enter the Interim Order and the Final Order, substantially in the forms attached hereto as **Exhibit A** and **Exhibit B**, respectively, granting the relief requested in the Motion and such other and further relief as may be just and proper.

Dated: August 16, 2020
Wilmington, Delaware

/s/ Travis J. Cuomo

John H. Knight (No. 3848)
Amanda R. Steele (No. 5530)
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*Proposed Counsel for Debtors and
Debtors in Possession*

EXHIBIT A

Proposed Interim Order

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

In re:)	
	)	Chapter 11
CHAPARRAL ENERGY, INC., <i>et al.</i> ,)	
	)	Case No. 20-____ (____)
Debtors. ¹	)	(Jointly Administered)
)	

**INTERIM ORDER (I) AUTHORIZING THE DEBTORS TO PAY (A) ROYALTY
PAYMENTS, (B) WORKING INTEREST DISBURSEMENTS, (C) NON-ROYALTY
LEASE PAYMENTS, (D) OPERATING EXPENSES, AND (E) JOINT INTEREST
BILLINGS, (II) AUTHORIZING FINANCIAL INSTITUTIONS TO HONOR AND
PROCESS RELATED CHECKS AND FUND TRANSFERS, AND (III) GRANTING
RELATED RELIEF**

Upon the motion (the “**Motion**”)² of Chaparral Energy, Inc. and its subsidiaries that are debtors and debtors in possession (collectively, the “**Debtors**”) in the Chapter 11 Cases for entry of an interim order, pursuant to sections 105(a), 363(b), 541, 1107(a), and 1108 of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004 (a) authorizing the Debtors to pay in the ordinary course of business, whether such obligations were incurred prepetition or will be incurred postpetition, (i) Royalty Payments, (ii) Working Interest Disbursements, (iii) Non-Royalty Lease Payments, (iv) Operating Expenses, and (v) Joint Interest Billings, (b) authorizing and directing all banks to receive, process, honor, and pay all of the Debtors’ prepetition checks and fund transfers on account of any obligations authorized to be paid pursuant hereto, and (c) granting related relief; and the Court having jurisdiction to consider the matters raised in the Motion

¹ The Debtors in these cases, along with the last four digits (or five digits, in cases in which multiple Debtors have the same last four digits) of each Debtor’s federal tax identification number, are: CEI Acquisition, L.L.C. (1817); CEI Pipeline, L.L.C. (6877); Chaparral Biofuels, L.L.C. (1066); Chaparral CO2, L.L.C. (1656); Chaparral Energy, Inc. (90941); Chaparral Energy, L.L.C. (20941); Chaparral Exploration, L.L.C. (1968); Chaparral Real Estate, L.L.C. (1655); Chaparral Resources, L.L.C. (1710); Charles Energy, L.L.C. (3750); Chestnut Energy, L.L.C. (9730); Green Country Supply, Inc. (2723); Roadrunner Drilling, L.L.C. (2399); and Trabajo Energy, L.L.C. (9753). The Debtors’ address is 701 Cedar Lake Boulevard, Oklahoma City, Oklahoma 73114.

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

pursuant to 28 U.S.C. § 1334 and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware*, dated February 29, 2012; and the Court having authority to hear the matters raised in the Motion pursuant to 28 U.S.C. § 157; and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and consideration of the Motion and the requested relief being a core proceeding that the Court can determine pursuant to 28 U.S.C. § 157(b)(2); and due and proper notice of the Motion and opportunity for a hearing on the Motion having been given to the Notice Parties, under the circumstances; and it appearing that no other or further notice need be provided; and the Court having reviewed and considered the Motion and the First Day Declaration; and the Court having held a hearing on the Motion (the “**Hearing**”); and the Court having found that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and the Court having determined that the relief requested in the Motion being in the best interests of the Debtors, their creditors, their estates, and all other parties in interest; and the Court having determined that the relief requested in the Motion is necessary to avoid immediate and irreparable harm to the Debtors and their estates as contemplated by Bankruptcy Rule 6003; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor, it is hereby

ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is GRANTED on an interim basis as set forth herein.
2. The final hearing to consider the relief requested in the Motion shall be held on _____, 2020 at __:____ .m. prevailing Eastern Time. Any objections or responses to entry of a final order on the Motion shall be filed on or before 4:00 p.m., prevailing Eastern Time, on _____, 2020. In the event no objections to entry of the Final Order on the Motion are timely received, this Court may enter such Final Order without need for the final hearing.

3. The Debtors are authorized, but not directed, in their sole discretion to pay the Royalty Interest Owners, in the ordinary course of business, the Royalty Payments, and to take and apply such setoff rights as the Debtors are entitled to take against such Royalty Payments prior to paying such amounts; *provided* that payments on account of prepetition Royalty Payments shall not exceed \$9,192,000 pursuant to this Interim Order.

4. The Debtors are authorized, but not directed, in their sole discretion to make Working Interest Disbursements to Non-Operating Working Interest Owners in accordance with such parties' respective interests in the Oil and Gas Leases covered by Joint Operating Agreements, and to take and apply such setoff rights as the Debtors are entitled to take against such Working Interest Disbursements prior to paying such amounts; *provided* that payments on account of prepetition Working Interest Disbursements shall not exceed \$3,575,000 pursuant to this Interim Order.

5. The Debtors are authorized, but not directed, in their sole discretion to make Non-Royalty Lease Payments, on behalf of each holder of a Non-Operating Working Interest in accordance with such parties' respective interests in the Oil and Gas Leases covered by Joint Operating Agreements and to take and apply such setoff rights as the Debtors are entitled to take against such Non-Royalty Lease Payments prior to paying such amounts; *provided* that payments on account of prepetition Non-Royalty Lease Payments shall not exceed \$1,000 pursuant to this Interim Order.

6. The Debtors are authorized, but not directed, in their sole discretion to pay prepetition Operating Expenses in the ordinary course of business; *provided* that payments on account of prepetition Operating Expenses shall not exceed \$5,042,000 pursuant to this Interim Order.

7. The Debtors are authorized, but not directed, in their sole discretion to pay prepetition Joint Interest Billings in the ordinary course of business; *provided* that payments on account of prepetition Joint Interest Billings shall not exceed \$2,807,000 pursuant to this Interim Order.

8. The Debtors are authorized, but not directed, in their sole discretion to pay undisputed obligations owed to Non-Operating Working Interest Owners in respect of prepaid Operating Expenses against JIB Statements or in cash as required by the Joint Operating Agreements *provided* that payment on account of prepaid Operating Expenses against JIB Statements or in cash shall not exceed \$33,000 pursuant to this Interim Order.

9. If any party accepts payment from the Debtors on account of the relief granted under this Interim Order, and the Debtors' interests in such payment are determined by the Court after notice and a hearing to constitute property of the Debtors' estates, the Debtors are authorized to seek at such hearing to avoid such payment as a postpetition transfer under section 549 of the Bankruptcy Code.

10. The Debtors are authorized, but not directed, in their sole discretion to issue new postpetition checks to replace any checks that may nevertheless be dishonored and to reimburse any expenses that holders of claims in connection with Royalty Payments, Working Interest Disbursements, Non-Royalty Lease Payments, Operating Expenses, or Joint Interest Billings may incur as a result of any bank's failure to honor a prepetition check.

11. All applicable banks and other financial institutions are hereby authorized to receive, process, honor, and pay any and all checks, drafts, wires, check transfer requests, or automated clearing house transfers evidencing amounts paid by the Debtors under this Interim Order whether presented prior to, on, or after the Petition Date. Such banks and financial

institutions are authorized to rely on the representations of the Debtors as to which checks are issued or authorized to be paid pursuant to this Interim Order without any duty of further inquiry and without liability for following the Debtors' instructions.

12. Nothing in this Interim Order or any action taken by the Debtors in furtherance of the implementation hereof shall be deemed to constitute an assumption or rejection of any executory contract or unexpired lease pursuant to section 365 of the Bankruptcy Code, and all of the Debtors' rights with respect to such matters are expressly reserved.

13. Notwithstanding the relief granted herein and any actions taken hereunder, nothing contained herein shall (a) create, nor is it intended to create, any rights in favor of, or enhance the status of any claim held by, any person or entity or (b) be deemed to convert the priority of any claim from a prepetition claim into an administrative expense claim.

14. Nothing in this Interim Order nor the Debtors' payment of claims pursuant to this Interim Order shall be construed as or deemed to constitute (a) an agreement or admission by the Debtors as to the validity of any claim against the Debtors on any ground; (b) a grant of third-party beneficiary status or bestowal of any additional rights on any third party; (c) a waiver or impairment of any rights, claims or defenses of the Debtors' rights to dispute any claim on any grounds; (d) a promise by the Debtors to pay any claim; (e) an admission as to the validity, priority, enforceability, or perfection of any lien on, security interest in, or other encumbrance on property of the Debtors' estates, or (f) an implication or admission by the Debtors that such claim is payable pursuant to this Interim Order.

15. The requirements of Bankruptcy Rules 6003 and 6004(a) are satisfied by the contents of the Motion.

16. Any Bankruptcy Rule (including, but not limited to, Bankruptcy Rule 6004(h)) or Local Rule that might otherwise delay the effectiveness of this Interim Order is hereby waived, and the terms and conditions of this Interim Order shall be effective and enforceable immediately upon its entry.

17. The Debtors are authorized to take all such actions as are necessary or appropriate to implement the terms of this Interim Order.

18. The Court shall retain exclusive jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, and enforcement of this Interim Order.

EXHIBIT B

Proposed Final Order

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

)	
In re:	)	Chapter 11
)	
CHAPARRAL ENERGY, INC., <i>et al.</i>,	)	Case No. 20-____ (____)
)	
Debtors. ¹	)	(Jointly Administered)
)	

**FINAL ORDER (I) AUTHORIZING THE DEBTORS TO PAY (A) ROYALTY
PAYMENTS, (B) WORKING INTEREST DISBURSEMENTS, (C) NON-ROYALTY
LEASE PAYMENTS, (D) OPERATING EXPENSES, AND (E) JOINT INTEREST
BILLINGS, (II) AUTHORIZING FINANCIAL INSTITUTIONS TO HONOR AND
PROCESS RELATED CHECKS AND FUND TRANSFERS, AND (III) GRANTING
RELATED RELIEF**

Upon the motion (the “**Motion**”)² of Chaparral Energy, Inc. and its subsidiaries that are debtors and debtors in possession (collectively, the “**Debtors**”) in the Chapter 11 Cases for entry of a final order, pursuant to sections 105(a), 363(b), 541, 1107(a), and 1108 of the Bankruptcy Code and Bankruptcy Rule 6003 and 6004 (a) authorizing the Debtors to pay in the ordinary course of business, whether such obligations were incurred prepetition or will be incurred postpetition, (i) Royalty Payments, (ii) Working Interest Disbursements, (iii) Non-Royalty Lease Payments, (iv) Operating Expenses, and (v) Joint Interest Billings, (b) authorizing and directing all banks to receive, process, honor, and pay all of the Debtors’ prepetition checks and fund transfers on account of any obligations authorized to be paid pursuant hereto, and (c) granting related relief; and the Court having jurisdiction to consider the matters raised in the Motion pursuant to 28 U.S.C.

¹ The Debtors in these cases, along with the last four digits (or five digits, in cases in which multiple Debtors have the same last four digits) of each Debtor’s federal tax identification number, are: CEI Acquisition, L.L.C. (1817); CEI Pipeline, L.L.C. (6877); Chaparral Biofuels, L.L.C. (1066); Chaparral CO2, L.L.C. (1656); Chaparral Energy, Inc. (90941); Chaparral Energy, L.L.C. (20941); Chaparral Exploration, L.L.C. (1968); Chaparral Real Estate, L.L.C. (1655); Chaparral Resources, L.L.C. (1710); Charles Energy, L.L.C. (3750); Chestnut Energy, L.L.C. (9730); Green Country Supply, Inc. (2723); Roadrunner Drilling, L.L.C. (2399); and Trabajo Energy, L.L.C. (9753). The Debtors’ address is 701 Cedar Lake Boulevard, Oklahoma City, Oklahoma 73114.

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

§ 1334 and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware*, dated February 29, 2012; and the Court having authority to hear the matters raised in the Motion pursuant to 28 U.S.C. § 157; and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and consideration of the Motion and the requested relief being a core proceeding that the Court can determine pursuant to 28 U.S.C. § 157(b)(2); and due and proper notice of the Motion and opportunity for a hearing on the Motion having been given to the Notice Parties, and it appearing that no other or further notice need be provided; and the Court having reviewed and considered the Motion and the First Day Declaration; and the Court having granted interim relief on the Motion on [•], 2020 (D.I. [•]); and the Court having held, if necessary, a final hearing on the Motion (the “**Hearing**”); and the Court having found that the legal and factual bases set forth in the Motion and at the Hearing, if any, establish just cause for the relief granted herein; and the Court having determined that the relief requested in the Motion being in the best interests of the Debtors, their creditors, their estates, and all other parties in interest; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor, it is hereby

ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is GRANTED on a final basis as set forth herein.
2. The Debtors are authorized, but not directed, in their sole discretion to pay the Royalty Interest Owners, in the ordinary course of business, the Royalty Payments, and to take and apply such setoff rights as the Debtors are entitled to take against such Royalty Payments prior to paying such amounts.
3. The Debtors are authorized, but not directed, in their sole discretion to make Working Interest Disbursements to Non-Operating Working Interest Owners in accordance with

such parties' respective interests in the Oil and Gas Leases covered by Joint Operating Agreements, and to take and apply such setoff rights as the Debtors are entitled to take against such Working Interest Disbursements prior to paying such amounts.

4. The Debtors are authorized, but not directed, in their sole discretion to make Non-Royalty Lease Payments, on behalf of each holder of a Non-Operating Working Interest in accordance with such parties' respective interests in the Oil and Gas Leases covered by Joint Operating Agreements and to take and apply such setoff rights as the Debtors are entitled to take against such Non-Royalty Lease Payments prior to paying such amounts.

5. The Debtors are authorized, but not directed, in their sole discretion to pay prepetition Operating Expenses in the ordinary course of business.

6. The Debtors are authorized, but not directed, in their sole discretion to pay prepetition Joint Interest Billings in the ordinary course of business.

7. The Debtors are authorized, but not directed, in their sole discretion to pay undisputed obligations owed to Non-Operating Working Interest Owners in respect of prepaid Operating Expenses against JIB Statements or in cash as required by the Joint Operating Agreements.

8. If any party accepts payment from the Debtors on account of the relief granted under this Final Order, and the Debtors' interests in such payment are determined by the Court after notice and a hearing to constitute property of the Debtors' estates, the Debtors are authorized to seek at such hearing to avoid such payment as a postpetition transfer under Section 549 of the Bankruptcy Code.

9. The Debtors are authorized, but not directed, in their sole discretion to issue new postpetition checks to replace any checks that may nevertheless be dishonored and to

reimburse any expenses that holders of claims in connection with Royalty Payments, Working Interest Disbursements, Non-Royalty Lease Payments, Operating Expenses, or Joint Interest Billings may incur as a result of any bank's failure to honor a prepetition check.

10. All applicable banks and other financial institutions are hereby authorized to receive, process, honor, and pay any and all checks, drafts, wires, check transfer requests, or automated clearing house transfers evidencing amounts paid by the Debtors under this Final Order whether presented prior to, on, or after the Petition Date. Such banks and financial institutions are authorized to rely on the representations of the Debtors as to which checks are issued or authorized to be paid pursuant to this Final Order without any duty of further inquiry and without liability for following the Debtors' instructions.

11. Nothing in this Final Order or any action taken by the Debtors in furtherance of the implementation hereof shall be deemed to constitute an assumption or rejection of any executory contract or unexpired lease pursuant to section 365 of the Bankruptcy Code, and all of the Debtors' rights with respect to such matters are expressly reserved.

12. Notwithstanding the relief granted herein and any actions taken hereunder, nothing contained herein shall (a) create, nor is it intended to create, any rights in favor of, or enhance the status of any claim held by, any person or entity or (b) be deemed to convert the priority of any claim from a prepetition claim into an administrative expense claim.

13. Nothing in this Final Order nor the Debtors' payment of claims pursuant to this Final Order shall be construed as or deemed to constitute (a) an agreement or admission by the Debtors as to the validity of any claim against the Debtors on any ground, (b) a grant of third-party beneficiary status or bestowal of any additional rights on any third party, (c) a waiver or impairment of any rights, claims or defenses of the Debtors' rights to dispute any claim on any

grounds, (d) a promise by the Debtors to pay any claim, (e) an admission as to the validity, priority, enforceability, or perfection of any lien on, security interest in, or other encumbrance on property of the Debtors' estates, or (f) an implication or admission by the Debtors that such claim is payable pursuant to this Final Order.

14. The requirements of Bankruptcy Rules 6003 and 6004(a) are satisfied by the contents of the Motion.

15. Any Bankruptcy Rule (including, but not limited to, Bankruptcy Rule 6004(h)) or Local Rule that might otherwise delay the effectiveness of this Final Order is hereby waived, and the terms and conditions of this Final Order shall be effective and enforceable immediately upon its entry.

16. The Debtors are authorized to take all such actions as are necessary or appropriate to implement the terms of this Final Order.

17. The Court shall retain exclusive jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, and enforcement of this Final Order.

File a First Day Motion:

[20-11947 Chaparral Energy, Inc.](#)

Type: bk Chapter: 11 v Office: 1 (Delaware)
Assets: y Case Flag: PlnDue, DsclsDue, VerifDue

U.S. Bankruptcy Court

District of Delaware

Notice of Electronic Filing

The following transaction was received from Travis James Cuomo entered on 8/16/2020 at 10:47 PM EDT and filed on 8/16/2020

Case Name: Chaparral Energy, Inc.

Case Number: [20-11947](#)

Document Number: [11](#)

Docket Text:

Motion Regarding Chapter 11 First Day Motions (*Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay (A) Royalty Payments, (B) Working Interest Disbursements, (C) Non-Royalty Lease Payments, (D) Operating Expenses, and (E) Joint Interest Billings, (II) Authorizing Financial Institutions to Honor and Process Related Checks and Fund Transfers, and (III) Granting Related Relief*) Filed By Chaparral Energy, Inc. (Cuomo, Travis)

The following document(s) are associated with this transaction:

Document description:Main Document

Original filename:W:\AJ\Chap 2\Chap Royalty Interest Motion.pdf

Electronic document Stamp:

[STAMP bkecfStamp_ID=983460418 [Date=8/16/2020] [FileNumber=16571863-0]
] [a34767077b8283a8d07a5e944983fe0f060e0d661b2580b80a1042af7263df7731e
12e18b92a111b004d32d0b6bad3f169da0c7045d8d0746b00844bac367b8a]]

20-11947 Notice will be electronically mailed to:

Travis James Cuomo on behalf of Debtor Chaparral Energy, Inc.
cuomo@rlf.com, rbgroup@rlf.com;ann-jerominski-2390@ecf.pacerpro.com

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knight@rlf.com, RBGroup@RLF.com;ann-jerominski-2390@ecf.pacerpro.com

Brendan Joseph Schlauch on behalf of Debtor Chaparral Energy, Inc.
schlauch@rlf.com, rbgroup@rlf.com;ann-jerominski-2390@ecf.pacerpro.com

Amanda R. Steele on behalf of Debtor Chaparral Energy, Inc.
steele@rlf.com, rbgroup@rlf.com;ann-jerominski-2390@ecf.pacerpro.com

EXHIBIT B

Interim Order

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

In re:)	
	)	Chapter 11
)	
CHAPARRAL ENERGY, INC., <i>et al.</i>,	)	Case No. 20-11947 (MFW)
)	
Debtors. ¹	)	(Jointly Administered)
)	
	)	Re: Docket No. 11
)	

INTERIM ORDER (I) AUTHORIZING THE DEBTORS TO PAY (A) ROYALTY PAYMENTS, (B) WORKING INTEREST DISBURSEMENTS, (C) NON-ROYALTY LEASE PAYMENTS, (D) OPERATING EXPENSES, AND (E) JOINT INTEREST BILLINGS, (II) AUTHORIZING FINANCIAL INSTITUTIONS TO HONOR AND PROCESS RELATED CHECKS AND FUND TRANSFERS, AND (III) GRANTING RELATED RELIEF

Upon the motion (the “**Motion**”)² of Chaparral Energy, Inc. and its subsidiaries that are debtors and debtors in possession (collectively, the “**Debtors**”) in the Chapter 11 Cases for entry of an interim order, pursuant to sections 105(a), 363(b), 541, 1107(a), and 1108 of the Bankruptcy Code and Bankruptcy Rules 6003 and 6004 (a) authorizing the Debtors to pay in the ordinary course of business, whether such obligations were incurred prepetition or will be incurred postpetition, (i) Royalty Payments, (ii) Working Interest Disbursements, (iii) Non-Royalty Lease Payments, (iv) Operating Expenses, and (v) Joint Interest Billings, (b) authorizing and directing all banks to receive, process, honor, and pay all of the Debtors’ prepetition checks and fund transfers on account of any obligations authorized to be paid pursuant hereto, and (c) granting

¹ The Debtors in these cases, along with the last four digits (or five digits, in cases in which multiple Debtors have the same last four digits) of each Debtor’s federal tax identification number, are: CEI Acquisition, L.L.C. (1817); CEI Pipeline, L.L.C. (6877); Chaparral Biofuels, L.L.C. (1066); Chaparral CO2, L.L.C. (1656); Chaparral Energy, Inc. (90941); Chaparral Energy, L.L.C. (20941); Chaparral Exploration, L.L.C. (1968); Chaparral Real Estate, L.L.C. (1655); Chaparral Resources, L.L.C. (1710); Charles Energy, L.L.C. (3750); Chestnut Energy, L.L.C. (9730); Green Country Supply, Inc. (2723); Roadrunner Drilling, L.L.C. (2399); and Trabajo Energy, L.L.C. (9753). The Debtors’ address is 701 Cedar Lake Boulevard, Oklahoma City, Oklahoma 73114.

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

related relief; and the Court having jurisdiction to consider the matters raised in the Motion pursuant to 28 U.S.C. § 1334 and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware*, dated February 29, 2012; and the Court having authority to hear the matters raised in the Motion pursuant to 28 U.S.C. § 157; and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and consideration of the Motion and the requested relief being a core proceeding that the Court can determine pursuant to 28 U.S.C. § 157(b)(2); and due and proper notice of the Motion and opportunity for a hearing on the Motion having been given to the Notice Parties, under the circumstances; and it appearing that no other or further notice need be provided; and the Court having reviewed and considered the Motion and the First Day Declaration; and the Court having held a hearing on the Motion (the “Hearing”); and the Court having found that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and the Court having determined that the relief requested in the Motion being in the best interests of the Debtors, their creditors, their estates, and all other parties in interest; and the Court having determined that the relief requested in the Motion is necessary to avoid immediate and irreparable harm to the Debtors and their estates as contemplated by Bankruptcy Rule 6003; and upon all of the proceedings had before the Court; and after due deliberation and sufficient cause appearing therefor, it is hereby

ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is GRANTED on an interim basis as set forth herein.
2. The final hearing to consider the relief requested in the Motion shall be held on September 14, 2020, at 2:00 p.m. prevailing Eastern Time. Any objections or responses to entry of a final order on the Motion shall be filed on or before 4:00 p.m., prevailing Eastern Time,

on September 8, 2020. In the event no objections to entry of the Final Order on the Motion are timely received, this Court may enter such Final Order without need for the final hearing.

3. The Debtors are authorized, but not directed, in their sole discretion to pay the Royalty Interest Owners, in the ordinary course of business, the Royalty Payments, and to take and apply such setoff rights as the Debtors are entitled to take against such Royalty Payments prior to paying such amounts; *provided* that payments on account of prepetition Royalty Payments shall not exceed \$9,192,000 pursuant to this Interim Order.

4. The Debtors are authorized, but not directed, in their sole discretion to make Working Interest Disbursements to Non-Operating Working Interest Owners in accordance with such parties' respective interests in the Oil and Gas Leases covered by Joint Operating Agreements, and to take and apply such setoff rights as the Debtors are entitled to take against such Working Interest Disbursements prior to paying such amounts; *provided* that payments on account of prepetition Working Interest Disbursements shall not exceed \$3,575,000 pursuant to this Interim Order.

5. The Debtors are authorized, but not directed, in their sole discretion to make Non-Royalty Lease Payments, on behalf of each holder of a Non-Operating Working Interest in accordance with such parties' respective interests in the Oil and Gas Leases covered by Joint Operating Agreements and to take and apply such setoff rights as the Debtors are entitled to take against such Non-Royalty Lease Payments prior to paying such amounts; *provided* that payments on account of prepetition Non-Royalty Lease Payments shall not exceed \$1,000 pursuant to this Interim Order.

6. The Debtors are authorized, but not directed, in their sole discretion to pay prepetition Operating Expenses in the ordinary course of business; *provided* that payments on

account of prepetition Operating Expenses shall not exceed \$5,042,000 pursuant to this Interim Order.

7. The Debtors are authorized, but not directed, in their sole discretion to pay prepetition Joint Interest Billings in the ordinary course of business; *provided* that payments on account of prepetition Joint Interest Billings shall not exceed \$2,807,000 pursuant to this Interim Order.

8. The Debtors are authorized, but not directed, in their sole discretion to pay undisputed obligations owed to Non-Operating Working Interest Owners in respect of prepaid Operating Expenses against JIB Statements or in cash as required by the Joint Operating Agreements *provided* that payment on account of prepaid Operating Expenses against JIB Statements or in cash shall not exceed \$33,000 pursuant to this Interim Order.

9. If any party accepts payment from the Debtors on account of the relief granted under this Interim Order, and the Debtors' interests in such payment are determined by the Court after notice and a hearing to constitute property of the Debtors' estates, the Debtors are authorized to seek at such hearing to avoid such payment as a postpetition transfer under section 549 of the Bankruptcy Code.

10. The Debtors are authorized, but not directed, in their sole discretion to issue new postpetition checks to replace any checks that may nevertheless be dishonored and to reimburse any expenses that holders of claims in connection with Royalty Payments, Working Interest Disbursements, Non-Royalty Lease Payments, Operating Expenses, or Joint Interest Billings may incur as a result of any bank's failure to honor a prepetition check.

11. All applicable banks and other financial institutions are hereby authorized to receive, process, honor, and pay any and all checks, drafts, wires, check transfer requests, or

automated clearing house transfers evidencing amounts paid by the Debtors under this Interim Order whether presented prior to, on, or after the Petition Date. Such banks and financial institutions are authorized to rely on the representations of the Debtors as to which checks are issued or authorized to be paid pursuant to this Interim Order without any duty of further inquiry and without liability for following the Debtors' instructions.

12. Nothing in this Interim Order or any action taken by the Debtors in furtherance of the implementation hereof shall be deemed to constitute an assumption or rejection of any executory contract or unexpired lease pursuant to section 365 of the Bankruptcy Code, and all of the Debtors' rights with respect to such matters are expressly reserved.

13. Notwithstanding the relief granted herein and any actions taken hereunder, nothing contained herein shall (a) create, nor is it intended to create, any rights in favor of, or enhance the status of any claim held by, any person or entity or (b) be deemed to convert the priority of any claim from a prepetition claim into an administrative expense claim.

14. Nothing in this Interim Order nor the Debtors' payment of claims pursuant to this Interim Order shall be construed as or deemed to constitute (a) an agreement or admission by the Debtors as to the validity of any claim against the Debtors on any ground; (b) a grant of third-party beneficiary status or bestowal of any additional rights on any third party; (c) a waiver or impairment of any rights, claims or defenses of the Debtors' rights to dispute any claim on any grounds; (d) a promise by the Debtors to pay any claim; (e) an admission as to the validity, priority, enforceability, or perfection of any lien on, security interest in, or other encumbrance on property of the Debtors' estates, or (f) an implication or admission by the Debtors that such claim is payable pursuant to this Interim Order.

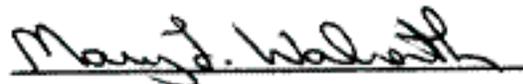
15. The requirements of Bankruptcy Rules 6003 and 6004(a) are satisfied by the contents of the Motion.

16. Any Bankruptcy Rule (including, but not limited to, Bankruptcy Rule 6004(h)) or Local Rule that might otherwise delay the effectiveness of this Interim Order is hereby waived, and the terms and conditions of this Interim Order shall be effective and enforceable immediately upon its entry.

17. The Debtors are authorized to take all such actions as are necessary or appropriate to implement the terms of this Interim Order.

The Court shall retain exclusive jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, and enforcement of this Interim Order.

Dated: August 18th, 2020
Wilmington, Delaware



MARY F. WALRATH
UNITED STATES BANKRUPTCY JUDGE