

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

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 In re: : Chapter 11
 :
 CHAPARRAL ENERGY, INC., et al., : Case No. 16-_____ (_____)
 :
 Debtors. ¹ : Joint Administration Pending
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MOTION OF DEBTORS FOR ORDER UNDER 11 U.S.C. §§ 105(a), 363(b), 364, 503(b)(9), 1107(a), AND 1108 AND FED. R. BANKR. P. 6003 (I) AUTHORIZING PAYMENT OF PREPETITION CLAIMS OF CERTAIN CRITICAL VENDORS AND SERVICE PROVIDERS; (II) UNDER 11 U.S.C. §§ 105(a), 363(c), AND 503(b)(1)(A) AND FED. R. BANKR. P. 6003 CONFIRMING ADMINISTRATIVE EXPENSE PRIORITY STATUS OF DEBTORS’ UNDISPUTED OBLIGATIONS FOR POSTPETITION DELIVERY OF GOODS AND SERVICES; AND (III) AUTHORIZING FINANCIAL INSTITUTIONS TO HONOR AND PROCESS RELATED CHECKS AND TRANSFERS

The debtors and debtors in possession in the above-captioned cases (together, the “**Debtors**”) hereby move (the “**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**”), under Sections 105(a), 363(b), 363(c), 364, 503(b)(1)(A), 503(b)(9), 1107(a) and 1108 of title 11 of the United States Code (the “**Bankruptcy Code**”) and Rule 6003 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), (i) authorizing, but not directing, the Debtors to pay, in the ordinary course of business, the prepetition fixed, liquidated, and undisputed claims of certain critical vendors and service providers, subject to the conditions described herein, (ii) under Bankruptcy Code Sections 105, 363(c) and 503(b)(1)(A), confirming the administrative expense priority status and authorizing payment of the Debtors’ undisputed

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); Green Country Supply, Inc. (2723); and Roadrunner Drilling, L.L.C. (2399). The Debtors’ address is 701 Cedar Lake Blvd., Oklahoma City, OK 73114.



obligations for the postpetition delivery of goods and provision of services, (iii) authorizing financial institutions to honor and process related checks and transfers, and (iv) granting certain related relief. In support of the Motion, the Debtors rely upon and incorporate by reference the *Declaration of Mark A. Fischer of Chaparral Energy, Inc., in Support of Chapter 11 Petitions and First Day Pleadings*, filed with the Court concurrently herewith (the “**Fischer Declaration**”). In further support of the Motion, the Debtors, by and through their undersigned counsel, respectfully represent:

JURISDICTION

1. This Court has jurisdiction to consider this Motion under 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated as of February 29, 2012. This is a core proceeding under 28 U.S.C. § 157(b). Venue of these cases and this Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409. The predicates for the relief requested herein are Bankruptcy Code Sections 105(a), 363(b), 363(c), 364, 503(b)(1)(A), 1107(a) and 1108. Such relief is warranted under Bankruptcy Rule 6003.

BACKGROUND

2. On May 9, 2016 (the “**Petition Date**”), the Debtors filed voluntary petitions in this Court commencing cases for relief under chapter 11 of the Bankruptcy Code (the “**Chapter 11 Cases**”). The factual background regarding the Debtors, including their business operations, their capital and debt structures, and the events leading to the filing of the Chapter 11 Cases, is set forth in detail in the Fischer Declaration, fully incorporated herein by reference.

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

RELIEF REQUESTED

4. By this Motion, the Debtors seek entry of the Interim and Final Orders, substantially in the form of Exhibit A and Exhibit B, respectively, attached hereto, granting them authority to pay the prepetition fixed, liquidated, and undisputed claims (the “**Critical Vendor Claims**”) of certain critical suppliers of goods and services, with whom the Debtors continue to do business and whose goods and services are essential to the Debtors’ operations (the “**Critical Vendors**”), as more particularly described and on the terms set forth below. As set forth below, and to the extent possible, the Debtors propose to condition the payment of individual Critical Vendor Claims on the agreement of the Critical Vendor to continue supplying goods and/or services to the Debtors on the same trade terms that, or better trade terms than, such Critical Vendors offered the Debtors immediately prior to the Petition Date or, if more favorable, within the 60 day period prior to the Petition Date, or pursuant to such other trade practices and programs that are favorable to the Debtors. The Debtors reserve the right to negotiate new trade terms with any Critical Vendor as a condition to payment of any Critical Vendor Claim. The Debtors further propose to limit the aggregate amount of payments to be made on account of Critical Vendor Claims to \$7,500,000 unless further authorization is obtained from this Court.

5. Additionally, as of the Petition Date, the Debtors had outstanding prepetition purchase orders (collectively, the “**Outstanding Orders**”) with several suppliers (collectively, the “**Suppliers**”) for goods and services that had not yet been delivered as of the Petition Date and which the Debtors believe are integral to the Debtors’ ongoing business operations. Accordingly, the Debtors seek entry of an order confirming that the Debtors’ undisputed obligations to the Suppliers under Outstanding Orders for (a) shipments of goods delivered to and accepted by the Debtors on and after the Petition Date and (b) the provision of

services to the Debtors on and after the Petition Date at the Debtors' request will be entitled to administrative expense priority status.

6. In addition, the Debtors request that the Court authorize and direct the Debtors' banks and financial institutions to receive, process, honor, pay, and, if necessary, reissue all prepetition and postpetition checks and fund transfers, including prepetition checks and electronic payment and transfer requests that the Debtors reissue or re-request postpetition, on account of obligations owed to (a) the Critical Vendors and (b) the Suppliers on account of the Outstanding Orders, and authorize the Debtors' banks and financial institutions to rely on the representations of the Debtors as to which checks and fund transfers should be honored and paid in respect of such obligations, provided that sufficient funds are on deposit in the applicable accounts to cover such payments.

BASIS FOR RELIEF

A. Payment of Critical Vendor Claims is Essential to the Debtors' Continued Operations During the Chapter 11 Cases

7. As more particularly described in the Fischer Declaration, the Debtors are primarily engaged in the acquisition, development, and production of oil and natural gas reserves in the United States. The Debtors' ongoing businesses is dependent upon their ability to continue to operate their oil and gas wells, which, in turn, is dependent upon the Debtors' access to various essential goods and services. The Debtors believe that payment of the Critical Vendor Claims is vital to the Debtors' ability to engage in their oil and gas operations and, thus, to their effort to preserve and maximize value for all stakeholders.

8. The Debtors believe that some of their vendors and service providers will continue to do business with them after commencement of these cases because doing so simply makes good business sense. In many cases, however, the Debtors anticipate that certain Critical

Vendors will: (a) refuse to deliver goods and services without payment of their prepetition claims; or (b) refuse to deliver goods and services on reasonable price or credit terms absent payment of prepetition claims, thereby effectively refusing to do business with the Debtors. Accordingly, the Debtors request authorization to pay the Critical Vendor Claims of such vendors and service providers, subject to the criteria below, because payment of such claims is necessary to achieve their chapter 11 objectives and preserve value for their various constituencies.

B. Stringent Criteria Will Be Used to Identify Critical Vendors

9. To ensure that the Debtors correctly identify their Critical Vendors, certain of the Debtors' employees and professionals who are responsible for maintaining, and have intimate knowledge of, the Debtors' vendor and service provider relationships, have conducted, and will continue to conduct, an extensive analysis and review of the Debtors' immediate needs for goods and services.

10. As part of such analysis and review, the Debtors have used, and will continue to use, the following criteria to determine which of the Debtors' vendors and service providers are Critical Vendors: (a) whether the vendor or service provider is a sole-source provider; (b) whether the Debtors receive advantageous pricing or other terms from a vendor or service provider such that a postpetition replacement would result in significantly higher costs; (c) whether quality requirements, geographic constraints, customizations, or other specifications prevent the Debtors from obtaining the necessary goods or services from alternative sources within a reasonable timeframe; (d) whether, if the vendor is not a sole source provider, the Debtors have insufficient inventory of goods or in-house capabilities to continue operations while a replacement is found and put into place; (e) whether a vendor or service provider is contractually obligated to continue to provide goods and services but the Debtors cannot afford

the time and expense of an enforcement action if the vendor or service provider wrongfully refuses to perform, and in fact refuses to perform; (f) whether a vendor or service provider has possession of goods, products, or other deliverables as to which they are able to claim a possessory lien and, thus, to decline to deliver such items to the Debtors without payment; (g) whether a vendors' prepetition claim is entitled to administrative expense status under Bankruptcy Code Section 503(b)(9); and (h) whether a vendor or service provider meeting any of the aforementioned standards in (a) through (g) refuses to, demands pricing or trade terms that constitute an effective refusal to, or is likely financially unable to, provide goods or services to the Debtors on a postpetition basis if the prepetition balances are not paid. The Debtors are confident that this process has appropriately identified, and will continue to appropriately identify, only those vendors and service providers that are critical to the estates.

C. Types of Goods and Services Giving Rise to Critical Vendor Claims Evidences Necessity for Payment

11. Among the types of Critical Vendors identified by the Debtors are certain providers of essential parts, equipment and services used in the operation of the Debtors' businesses. These vendors are critical to the Debtors' businesses because they (i) possess unique technical knowledge regarding the Debtors' oil and gas leases and operations, (ii) have familiarity with the Debtors' equipment, (iii) provide unique goods and services to the Debtors that are essential to the Debtors' operations, or (iv) provide some combination of the foregoing. Even in those instances where the Debtors could potentially find a replacement vendor to provide the goods or services necessary to maintain and operate their businesses, the Debtors have determined that the time and other factors involved in replacing such Critical Vendors would be disruptive, cost-prohibitive and, in certain instances, impossible.

12. As described in greater detail in the Fischer Declaration, the Debtors derive a substantial portion of their revenue from the sale of oil and natural gas from wells operated by the Debtors. Therefore, any delay in the provision of integral parts and equipment, or servicing of the Debtors' equipment or wells, and any disruption to the relationship between the Debtors and these Critical Vendors would cause irreparable harm to the Debtors' businesses.

13. Vendors and service providers of the nature described above, and others that satisfy the criteria described in paragraph 10 above, fall under the rubric of Critical Vendors. The Debtors believe that there is a high likelihood that such Critical Vendors would no longer do business with the Debtors if they are not paid on account of any outstanding prepetition claims. Any refusal by the Critical Vendors to provide essential goods or perform key services would have immediate and severe adverse repercussions, including, but not limited to, jeopardizing or impairing the value of the Debtors' businesses.

14. Under the circumstances, the Debtors maintain that paying the Critical Vendor Claims is both necessary and essential to their ability to achieve their chapter 11 objectives and preserve value for their various constituencies.

15. The Debtors believe that approximately \$7,500,000 is owed to Critical Vendors as of the Petition Date. Accordingly, the Debtors request authority to make payments on account of Critical Vendor Claims in an aggregate amount of up to \$7,500,000 in the event that certain Critical Vendors did not provide the Debtors with invoices prior to the Petition Date for all prepetition amounts owed.

D. Proposed Terms and Conditions for Payment of Critical Vendor Claims

16. The Debtors will attempt to condition the payment of Critical Vendor Claims on the agreement of individual Critical Vendors to continue supplying goods or services to the Debtors on trade terms that are the same or better than the trade terms that existed

immediately prior to the Petition Date or, if more favorable, within the 60 day period prior to the Petition Date (the “**Customary Trade Terms**”). The Debtors reserve the right to negotiate new trade terms (the “**Minimum Credit Terms**”) with any Critical Vendor as a condition to payment of any Critical Vendor Claim, in the Debtors’ sole discretion.

17. To ensure that the Critical Vendors deal with the Debtors on either Customary Trade Terms or Minimum Credit Terms, the Debtors propose that a letter agreement (a “**Trade Agreement**”)² substantially in the form attached hereto as Exhibit C be sent to the Critical Vendors for execution, together with a copy of the Order granting this Motion.

18. The Debtors propose that each Trade Agreement include, without limitation:

- (a) the amount of the relevant Critical Vendor’s estimated Critical Vendor Claims, accounting for any setoffs, other credits, and discounts thereto; provided, however, such amount shall be used only for the purposes of determining such Critical Vendor’s claim subject to the Order and shall not be deemed a claim allowed by the Court, and the rights of all interested persons to object to such claim shall be fully preserved until further order of this Court;
- (b) the Customary Trade Terms or Minimum Credit Terms applicable to such Critical Vendor, or such other terms as the Critical Vendor and the Debtors may agree, and the Critical Vendor’s agreement to provide goods or services to the Debtors under such terms for the duration of the Chapter 11 Cases unless the Debtors fail to make timely payments under the agreed-upon trade terms;
- (c) the Critical Vendor’s agreement not to file or otherwise assert, directly or indirectly, against any or all of the Debtors, their estates, or any of their respective assets or property (real or personal), any lien (a “**Lien**”), a claim for reclamation (a “**Reclamation Claim**”) or a claim under Bankruptcy Code Section 503(b)(9) (a “**503(b)(9) Claim**”), regardless of the statute or other legal authority upon which such Lien, Reclamation Claim, or 503(b)(9) Claim may be asserted, related in any way to any

² The Debtors’ entry into a Trade Agreement will not change the nature or priority of the underlying Critical Vendor Claims and will not constitute an assumption or rejection of any executory contract or prepetition or postpetition agreement between the Debtors and a Critical Vendor.

remaining prepetition amounts allegedly owed to the Critical Vendor by the Debtors arising from agreements or other arrangements entered into prior to the Petition Date; and, to the extent the Critical Vendor has already obtained or otherwise asserted such a Lien, Reclamation Claim, or 503(b)(9) Claim, the Critical Vendor shall take (at such vendor's own expense) whatever actions are necessary to remove such Lien or withdraw such Reclamation Claim or 503(b)(9) Claim, unless the Critical Vendor's participation in the program to pay Critical Vendor Claims authorized by the Order is terminated;

- (d) the Critical Vendor's agreement not to file a motion to compel assumption or rejection of any contract under which the Critical Vendor Claim arises; and
- (e) the Critical Vendor's acknowledgment that it has reviewed the terms and provisions of the Order sought hereby and is bound thereby.

19. By this Motion, the Debtors request only the authorization to enter into Trade Agreements when the Debtors determine, in their sole discretion, that payment of such Critical Vendor Claims is necessary to enable the Debtors to realize their chapter 11 objectives and that such Trade Agreements are advisable. The Debtors also hereby request authorization to make payments on account of Critical Vendor Claims in the absence of a Trade Agreement if the Debtors determine, in their business judgment, that failure to pay such Critical Vendor Claims will result in harm to the Debtors' business operations and there is no reasonable likelihood that the Debtors will negotiate an acceptable Trade Agreement with the applicable vendors and/or service providers.³

20. By agreeing to provide Customary Trade Terms or Minimum Credit Terms, the Critical Vendors are extending unsecured postpetition credit to the Debtors for the benefit of all creditors. Such Customary Trade Terms or Minimum Credit Terms maintain the credit terms that the Debtors had prior to the Petition Date, or provide other acceptable credit

³ Nothing in this Motion should be construed as a waiver by any of the Debtors of their rights to contest any claim of a Critical Vendor under applicable bankruptcy or non-bankruptcy law.

terms, and may provide the Debtors with more favorable terms for unsecured credit than currently provided by the Critical Vendors or available elsewhere. Accordingly, the treatment of the valid Critical Vendor Claims set forth herein in exchange for Customary Trade Terms or Minimum Credit Terms is in the best interests of the Debtors and their estates and should be approved in accordance with Bankruptcy Code Section 364(b).

21. In the event that a Critical Vendor under a Trade Agreement refuses to supply goods and/or services to the Debtors on Customary Trade Terms or Minimum Credit Terms (or such other terms as are agreed by the parties) following receipt of payment on its Critical Vendor Claim, or otherwise fails to comply with its Trade Agreement with the Debtors, the Debtors reserve their rights to return the parties to the positions they held immediately prior to entry of the Order approving this Motion with respect to all prepetition claims. Further, the Debtors request authorization, in their sole discretion and without further order of the Court to:

(a) declare that any Trade Agreement between the Debtors and such Critical Vendor is terminated; (b) declare that payments made to such Critical Vendor on account of its Critical Vendor Claims be deemed to have been in payment of then-outstanding (or subsequently accruing) postpetition claims of such Critical Vendor without further order of the Court or action by any person or entity; and (c) recover or seek disgorgement of any payment made to such Critical Vendor on account of its Critical Vendor Claims to the extent that such payments exceed the postpetition claims of such Critical Vendor, without giving effect to any rights of setoff, claims, provision for payment of reclamation or trust fund claims, or other defense. In addition, the Debtors reserve the right to seek damages or other appropriate remedies against any breaching Critical Vendor.

22. The Debtors further propose that any Trade Agreement terminated as a result of a Critical Vendor's refusal to comply with the terms thereof may be reinstated if the underlying default under the Trade Agreement is fully cured by the Critical Vendor not later than five (5) business days following the Debtors' notification to the Critical Vendor of such a default; or the Debtors, in their sole discretion, reach a favorable alternative agreement with the Critical Vendor.

APPLICABLE AUTHORITY

23. The relief requested in this Motion is supported by several provisions of the Bankruptcy Code that authorize a debtor to honor prepetition obligations in certain circumstances. Courts have recognized each of these statutory provisions as valid authority for such payments.

A. The Court May Rely on the "Necessity of Payment" Doctrine and its General Equitable Powers to Grant the Motion

24. The Debtors' proposed payment of Critical Vendor Claims should be authorized under Bankruptcy Code Section 105(a) and the "doctrine of necessity."

25. Under Bankruptcy Code Section 105 this Court "may issue any order . . . that is necessary or appropriate to carry out the provisions of" the Bankruptcy Code. 11 U.S.C. § 105(a). For the reasons set forth above, and in light of the need for the Debtors to preserve the going concern value of their businesses, the relief requested herein is proper and should be granted.

26. The relief sought is further supported by the doctrine of necessity. The doctrine of necessity is a well-settled doctrine that permits a bankruptcy court to authorize payment of certain prepetition claims prior to the completion of the chapter 11 case where the payment of such claims is necessary to the restructuring efforts. See In re Lehigh & New

England Ry. Co., 657 F.2d 570, 581 (3d Cir. 1981) (payment of creditors' claims authorized under "necessity of payment" doctrine); In re Penn Central Transp. Co., 467 F.2d 100, 102 n.1 (3d Cir. 1972) (the necessity of payment doctrine permits "immediate payment of claims of creditors where those creditors will not supply services or materials essential to the conduct of the business until their pre-reorganization claims have been paid"); In re Just for Feet, Inc., 242 B.R. 821, 826 (D. Del. 1999) (stating that where the debtor "cannot survive" absent payment of certain prepetition claims, the doctrine of necessity should be invoked to permit payment);⁴ In re Columbia Gas Sys., Inc., 171 B.R. 189, 191-192 (Bankr. D. Del. 1994) (noting that the debtors "may pay pre-petition claims that are essential to continued operation of business"); see also In re NVR L.P., 147 B.R. 126, 127 (Bankr. E.D. Va. 1992) ("[T]he court can permit pre-plan payment of a pre-petition obligation when essential to the continued operation of the debtor.").

27. As stated above, payment of the Critical Vendor Claims is essential to the Debtors' ability to achieve their chapter 11 objectives and to maximize value for the benefit of all of the Debtors' stakeholders. Hence, this Court should exercise its equitable powers to grant the relief requested in this Motion.

B. This Court May Authorize Payment of the Critical Vendor Claims Under Bankruptcy Code Sections 363 and 364

28. Additional authorization for the payment of the Critical Vendor Claims may be found through reliance on Bankruptcy Code Sections 363 and 364. With respect to the

⁴ The Court's power to utilize the doctrine of necessity in chapter 11 cases derives from the Court's inherent equity powers and its statutory authority to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). The United States Supreme Court first articulated the doctrine of necessity over a century ago, in Miltenberger v. Logansport, C. & S.W. R. Co., 106 U.S. 286 (1882), in affirming the authorization by the lower court of the use of receivership funds to pay pre-receivership debts owed to employees, vendors and suppliers, among others, when such payments were necessary to preserve the receivership property and the integrity of the business in receivership. See id. at 309-14. The modern application of the doctrine of necessity is largely unchanged from the Court's reasoning in Miltenberger. See In re Lehigh & New Eng. Ry., 657 F.2d 570, 581-82 (3d Cir. 1981) ("[I]n order to justify payment under the 'necessity of payment' rule, a real and immediate threat must exist that failure to pay will place the [debtor's] continued operation . . . in serious jeopardy.").

former, Bankruptcy Code Section 363(b)(1) authorizes the trustee to use property of the estate other than in the ordinary course of business after notice and a hearing. 11 U.S.C. § 363(b)(1). Courts in this and other jurisdictions have relied on such subsection to authorize the payment of prepetition claims held by vendors. See, e.g., In re MPC Computers, LLC, Case No. 08-12667 (PJW) (Bankr. D. Del. Nov. 10, 2008) (authorizing, pursuant to § 363, the payment of prepetition claims of some suppliers); In re Conseco, Inc., Case No. 02-49672 (CAD) (Bankr. N.D. Ill. Jan. 14, 2003); Armstrong World Indus., Inc. v. James A. Phillips, Inc., 29 B.R. 391, 397 (S.D.N.Y. 1983) (district court affirmed bankruptcy court's decision under Bankruptcy Code Section 363 authorizing contractor to pay prepetition claims of some suppliers who were potential lien claimants). Similarly, where, as here, the relief at issue involves a request impacting the trade terms among the Debtors and the vendor, the relief may, where the appropriate showing has been made, be approved pursuant to Bankruptcy Code Section 364. See In re UAL Corp., Case No. 02-48191 (Bankr. N.D. Ill. Dec. 11, 2002) (essential trade motion relying upon Bankruptcy Code Section 363 is "completely consistent with the Bankruptcy Code;" payments to critical trade vendors have further support when debtor seeks "the extension of credit under section 364 on different than usual terms, terms that might include the payment of a prepetition obligation").

29. The relief requested in this Motion contemplates payments to be made to Critical Vendors who agree to provide goods or services on Customary Trade Terms or Minimum Credit Terms, to the extent possible. As a result, the payment of such Critical Vendor Claims is consistent with and appropriate under Bankruptcy Code Sections 363 and 364. As detailed above, the goods and services provided by the Critical Vendors are vital to the Debtors' continuing business operations.

C. The Court Should Authorize Payment of the Critical Vendor Claims as a Valid Exercise of the Debtors' Fiduciary Duties

30. Authority for such payments also may be found in Bankruptcy Code Sections 1107(a) and 1108. The Debtors, operating their businesses as debtors in possession under Bankruptcy Code Sections 1107(a) and 1108, are fiduciaries “holding the bankruptcy estate[s] and operating the business[es] for the benefit of [their] creditors and (if the value justifies) equity owners.” In re CoServ, L.L.C., 273 B.R. 487, 497 (Bankr. N.D. Tex. 2002). Implicit in the duties of a chapter 11 debtor in possession is the duty “to protect and preserve the estate, including an operating business’s going-concern value.” Id.

31. The CoServ court has noted that there are instances in which a debtor in possession can fulfill its fiduciary duty “only . . . by the preplan satisfaction of a prepetition claim.” Id. That court specifically noted that preplan satisfaction of prepetition claims would be a valid exercise of a debtor’s fiduciary duty when the payment “is the only means to effect a substantial enhancement of the estate,” id., and also when the payment was to “sole suppliers of a given product.” Id. at 498. The court provided a three-pronged test for determining whether a preplan payment on account of a prepetition claim was a valid exercise of a debtor’s fiduciary duty:

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

Id.

32. Payment of the Critical Vendor Claims meets each element of the CoServ court’s standard. As described above, the Debtors have narrowly tailored the Critical Vendor

Claims to encompass only those vendors and service providers that satisfy the specific criteria described above and that refuse to, demand pricing or trade terms that constitute an effective refusal to, or are likely financially unable to provide goods or services to the Debtors on a postpetition basis if their prepetition balances are not paid. The disruption of the Debtors' operations would cost the Debtors' estates lost revenue, which could negatively impact the Debtors' ability to achieve their chapter 11 objectives. The potential harm and economic disadvantage that would stem from the failure of any of the Critical Vendors to perform is grossly disproportionate to the amount of any prepetition claim that may be paid. Finally, with respect to each Critical Vendor, the Debtors have examined other options short of payment of Critical Vendor Claims and have determined that, to avoid significant disruption of the Debtors' business operations, there exists no practical or legal alternative to payment of the Critical Vendor Claims. Therefore, the Debtors can only meet their fiduciary duties as debtors in possession under Bankruptcy Code Sections 1107(a) and 1108 by payment of the Critical Vendor Claims.

D. Payment of Certain of the Critical Vendor Claims is Justified Under Bankruptcy Code Section 506(b) and 1129(b)(2)

33. The Debtors believe that their failure to pay certain of the Critical Vendor Claims may result in the assertion of mechanics' liens by such Critical Vendors under applicable state law (collectively, the "**Liens**"). Therefore, notwithstanding the automatic stay imposed by Bankruptcy Code Section 362, many of these parties may be entitled to assert and perfect Liens against the Debtors' property, which would entitle them to payment ahead of other general unsecured creditors in any event.

34. Moreover, since the amount of these Critical Vendor Claims is likely less than the value of any property securing those claims, any such party holding a Lien arguably is a

fully secured creditor. Under Bankruptcy Code Section 506(b), fully secured creditors are entitled to receive postpetition interest accruing on their claims to the extent that such claims are oversecured. Consequently, payment of those of the Critical Vendor Claims that are subject to valid Liens should give the Critical Vendors no more than that to which they otherwise would be entitled under the Bankruptcy Code, and would save the Debtors the interest costs that otherwise may accrue on the claims during these Chapter 11 Cases.

E. Payment of Certain of the Critical Vendor Claims is Justified Under Bankruptcy Code Section 503(b)(9)

35. Certain of the Critical Vendors may have claims for goods delivered to and received by the Debtors within twenty (20) days before the Petition Date (the “**20-Day Goods**”). Pursuant to Bankruptcy Code Section 503(b)(9), any claims arising from the sale of 20-Day Goods will be administrative expenses at the end of these cases. Bankruptcy Code Section 503(b)(9) provides that:

After notice and a hearing, there shall be allowed administrative expenses, other than claims allowed under section 502(f) of this title, including –

* * *

(9) the value of goods received by the debtor within 20 days before the date of commencement of a case under this title in which the goods have been sold to the debtor in the ordinary course of such debtor’s business.

11 U.S.C. § 503(b)(9); see In re GWLS Holdings, Inc., No. 08-12430 (PJW) (Bankr. D. Del. Oct. 22, 2008) (order granting payment of vendors’ administrative expense claims with priority under Bankruptcy Code Section 503(b)(9)); In re Werner Holding Co. (DE), Inc., No. 06-10578 (Bankr. D. Del. June 13, 2006) (order granting vendors’ administrative expense claims with priority under Bankruptcy Code Sections 503(b) and 507(a)(2)); see also In re Pliant Corp., No. 06-10001 (Bankr. D. Del. Jan. 4, 2006) (same); In re Dana Corp., No 06-10354 (BRL) (Bankr. S.D.N.Y. Mar. 3, 2006) (order authorizing payment of administrative priority claims under

Bankruptcy Code Section 503(b)(9)). In re Rio Valley Motors Co., LLC, Case No. 11-06-11866-SS, 2008 WL 824271, at *1-2 (Bankr. D.N.M. Mar. 24, 2008) (holding Bankruptcy Code Section 503(b)(9) gave administrative priority to prepetition claim for value of vehicle delivered to debtor within 20 days of chapter 11 bankruptcy filing); In re WETCO Rest. Gp, LLC, Case No. 07-51169 (RS), 2008 WL 1848779, at *2 (Bankr. W.D. La. Apr. 23, 2008) (finding no Bankruptcy Code Section 503(b)(9) claim for goods delivered within 20 days of petition, where creditor was prepaid for such goods).

36. Additionally, bankruptcy courts have held that the timing of the payment of administrative expenses allowed under Bankruptcy Code Section 503(b)(9) is within the discretion of the court. See In re Tubular Techs., LLC, 372 B.R. 820, 824 & n.4 (Bankr. D.S.C. 2007) (bankruptcy court may determine when Bankruptcy Code Section 503(b)(9) claim is paid); In re Global Home Prods., LLC, Case No. 06-10340, 2006 WL 3791955, at *3 (Bankr. D. Del. Dec. 21, 2006) (“when a claimant timely files a request for payment of an administrative expense under §503(a), the timing of the payment of that administrative expense claim is left to the discretion of the court.”) (citing In re Garden Ridge Corp., 323 B.R. 136 (Bankr. D. Del. 2005)); In re Bookbinders’ Rest., Inc., Case No. 06-12302, 2006 WL 3858020, at *3-4 (Bankr. E.D. Pa. Dec. 28, 2006) (timing of the payment of Bankruptcy Code Section 503(b)(9) claim “is within the discretion of the bankruptcy court”). Thus, the Debtors submit that, under the circumstances, it would be appropriate for the Court to exercise its discretion to allow Critical Vendor Claims for 20-Day Goods to be paid in the ordinary course.

F. Precedent Cases Support the Requested Relief

37. Courts in this jurisdiction and others have granted similar critical vendor relief in other cases. See, e.g., Aspect Software Parent, Inc., Case No. 16-10597 (MFW) (Bankr. D. Del. March 11, 2016); In re Verso Corp., et al., Case No. 16-10163 (KG) (Bankr. D. Del. Feb.

23, 2016); In re Quiksilver, Inc., et al., Case No. 15-11880 (BLS) (Bankr. D. Del. Oct. 28, 2015); In re OnCure Holdings, Inc., Case No. 13-11540 (KG) (Bankr. D. Del. July 24, 2013); In re B456 Sys., Inc., Case No. 12-12859 (KJC) (Bankr. D. Del. Nov. 8, 2012); In re DDMG Estate, Case No. 12-12568 (BLS) (Bankr. D. Del. Sept. 12, 2012).

**BASIS FOR RELIEF REGARDING POSTPETITION DELIVERY OF
GOODS AND SERVICES**

38. As noted above, the Debtors, by this Motion, seek additional relief with respect to amounts owed to Suppliers for Outstanding Orders on account of (a) shipments of goods delivered to and accepted by the Debtors on and after the Petition Date and (b) the provision of services to the Debtors on and after the Petition Date. Accordingly, the Debtors seek entry of an order confirming that the Debtors' undisputed obligations to the Suppliers for such Outstanding Orders will be entitled to administrative expense priority status.

39. As a result of the commencement of these Chapter 11 Cases, the Debtors believe that the Suppliers may perceive a risk that they will be treated as prepetition general unsecured creditors for the cost of any shipments made or services provided after the Petition Date pursuant to the Outstanding Orders. As a result, the Suppliers may refuse to deliver such goods to the Debtors or provide such services to the Debtors unless the Debtors issue substitute postpetition purchase orders or provide other assurances of payment.

40. Issuing substitute purchase orders on a postpetition basis would be administratively burdensome, time-consuming and counterproductive to the Debtors' ability to realize their chapter 11 objectives. Such a requirement imposed by Suppliers – or other requests for assurance of payment – inevitably will lead to delays in the Debtors' receipt of goods and services, ultimately (a) resulting in the disruption of established schedules and (b) hindering the

Debtors' ability to continue their operations uninterrupted and to minimize the impact of these Chapter 11 Cases on their parties in interest.

41. Under these circumstances, the Debtors believe that the requested relief is necessary to permit the Debtors to obtain the timely delivery of goods and uninterrupted provision of services from the Suppliers pursuant to the Outstanding Orders. Further, the Debtors submit that the relief sought herein is noncontroversial and entirely consistent with the applicable provisions of the Bankruptcy Code. Obligations arising out of the postpetition delivery of such goods and provision of such services to the Debtors generally are expenses incurred for the benefit of the Debtors' estates and assist in preserving the value of the Debtors' businesses. As such, these costs generally are accorded administrative expense priority status pursuant to Bankruptcy Code Section 503(b)(1)(A). The requested relief merely confirms the treatment of such postpetition obligations under the Bankruptcy Code, providing necessary assurances of payment to the Suppliers and ensuring the Debtors' ongoing and uninterrupted receipt of essential goods and services.

42. Under Bankruptcy Code Section 105, the Court has broad discretion to issue orders necessary to "carry out the provisions of this title." 11 U.S.C. § 105(a). For all of the reasons described above, the Debtors submit that the relief sought herein will facilitate the Debtors' ability to realize their chapter 11 objectives and, therefore, is appropriate under Section 105 of the Bankruptcy Code.

43. Similar relief to that requested herein has been granted in other chapter 11 cases in this jurisdiction. See, e.g., Aspect Software Parent, Inc., Case No. 16-10597 (MFW) (Bankr. D. Del. March 11, 2016) (authorizing, among other things, administrative expense priority status for postpetition deliveries of suppliers and vendors and the payment of undisputed

obligations arising therefrom in the ordinary course of business); In re OnCure Holdings, Inc., Case No. 13-11540 (KG) (Bankr. D. Del. July 24, 2013) (same); In re B456 Sys., Inc., Case No. 12-12859 (KJC) (Bankr. D. Del. Nov. 8, 2012) (same); In re Vertis Holdings, Inc., Case No. 12-12821 (CSS) (Bankr. D. Del. Oct. 12, 2012) (same); In re AES E. Energy, Case No. 11-14138 (KJC) (Bankr. D. Del. Jan. 26, 2012) (same).

RESERVATION OF RIGHTS

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

45. Additionally, nothing in this Motion is intended to modify or waive any of the Debtors' rights with respect to goods and services requested or received from the Critical Vendors or Suppliers, including the Debtors' rights to: (a) cancel a purchase order (including any Outstanding Order); (b) decline the acceptance of goods and services; (c) return any defective, nonconforming or unacceptable goods; or (d) contest the amount of any invoice or claims on any grounds.

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

46. 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 (21) 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 and Exhibit B is necessary to avoid immediate and irreparable harm.

47. To the extent that any aspect of the relief sought herein constitutes a use of property under Bankruptcy Code Section 363(b), the Debtors request a waiver of the notice requirements under Bankruptcy Rule 6004(a) and the fourteen (14) 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 (14) day stay imposed by Bankruptcy Rule 6004(h), as the exigent nature of the relief sought herein justifies immediate relief.

CONSENT TO JURISDICTION

48. Pursuant to Rule 9013-1(f) of the Local Rules for 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.

NOTICE

49. 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 secured financing; (c) counsel to the administrative agent for the Debtors’ prepetition secured financing; (d) the indenture trustee under the Debtors’ 9.875% senior notes due 2020; (e) the indenture trustee under the Debtors’ 8.25% senior notes due 2021; (f) the indenture trustee under the Debtors’ 7.625% senior notes due 2022; (g) Milbank, Tweed, Hadley & McCloy LLP, counsel to the ad hoc group of the holders of the Debtors’ prepetition unsecured notes; (h) the parties included on the Debtors’ consolidated list of thirty (30) largest unsecured creditors; (i) the United States Attorney’s Office for the District of Delaware; (j) the Internal Revenue Service; (k) the United States Securities and Exchange Commission; (l) the Environmental Protection Agency and similar state environmental agencies for states in which the Debtors conduct business; (m) the attorneys general for Oklahoma, Texas, and Kansas; and (n) all parties entitled to notice pursuant to Local Rule 9013-1(m) (collectively, the “**Initial Notice Parties**”). 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). The Debtors submit that, under the circumstances, no other or further notice is required.

50. In the event the Court enters an Interim Order granting this Motion, within forty-eight (48) hours thereafter, the Debtors propose to serve notice of such entry on the Initial Notice Parties and all parties that have filed prior to such service date requests for notice pursuant to Bankruptcy Rule 2002. The notice will provide that any objections to the relief granted in the Interim Order must be filed with the Court and served upon counsel for the Debtors no later than seven (7) days prior to the final hearing to be held on the Motion (the “**Objection Deadline**”). If an objection is timely filed and served prior to the Objection Deadline, such objection will be heard at the final hearing on the Motion. If no objections are timely filed and served, the Debtors’ counsel will file a certification of counsel to that effect attaching a final form of order.

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

Dated: May 10, 2016
Wilmington, Delaware

/s/ John H. Knight
John H. Knight (No. 3848)
Mark D. Collins (No. 2981)
RICHARDS, LAYTON & FINGER, P.A.
One Rodney Square
920 North King St.
Wilmington, Delaware 19801
Telephone: 302-651-7700
Fax: 302-651-7701
E-mail: collins@rlf.com
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- and -

Richard A. Levy
Keith A. Simon
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keith.simon@lw.com
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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:	X	
	:	Chapter 11
	:	
CHAPARRAL ENERGY, INC., <u>et al.</u> ,	:	Case No. _____ (_____)
	:	
Debtors. ¹	:	Joint Administration Pending
	:	
	X	

INTERIM ORDER UNDER 11 U.S.C. §§ 105(a), 363(b), 364, 503(b)(9), 1107(a), AND 1108 AND FED. R. BANKR. P. 6003 (I) AUTHORIZING PAYMENT OF PREPETITION CLAIMS OF CERTAIN CRITICAL VENDORS AND SERVICE PROVIDERS; (II) UNDER 11 U.S.C. §§ 105(a), 363(c), AND 503(b)(1)(A) AND FED. R. BANKR. P. 6003 CONFIRMING ADMINISTRATIVE EXPENSE PRIORITY STATUS OF DEBTORS' UNDISPUTED OBLIGATIONS FOR POSTPETITION DELIVERY OF GOODS AND SERVICES; AND (III) AUTHORIZING FINANCIAL INSTITUTIONS TO HONOR AND PROCESS RELATED CHECKS AND TRANSFERS

Upon the motion (the "Motion")² of the Debtors for entry of an Interim Order under Bankruptcy Code Sections 105(a), 363(b), 364, 503(b)(9), 1107(a), and 1108 and Bankruptcy Rule 6003, (i) authorizing, but not directing, the Debtors to pay, in the ordinary course of business, the prepetition fixed, liquidated, and undisputed claims of certain critical vendors and service providers, subject to the conditions described herein, (ii) under Bankruptcy Code Sections 105, 363(c), and 503(b)(1)(A), confirming the administrative expense priority status and authorizing payment of the Debtors' undisputed obligations for the postpetition delivery of goods and provision of services, (iii) authorizing financial institutions to honor and

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); Green Country Supply, Inc. (2723); and Roadrunner Drilling, L.L.C. (2399). The Debtors' address is 701 Cedar Lake Blvd., Oklahoma City, OK 73114.

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

process related checks and transfers, and (iv) granting certain related relief; and the Court having reviewed the Motion and the Fischer Declaration; and the Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest and should be granted on an interim basis to the extent set forth herein; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated as of February 29, 2012; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and upon the record herein; and after due deliberation thereon; and good 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 Debtors are authorized, but not directed, in their sole discretion, to pay the Critical Vendor Claims of their Critical Vendors, subject to the terms and conditions of this Order; provided that payments on account of Critical Vendor Claims shall not exceed \$5,000,000 in the aggregate without further order of this Court.
3. The Debtors are authorized, but not directed, to undertake appropriate efforts to cause Critical Vendors to enter into a Trade Agreement with the Debtors substantially similar to that annexed as Exhibit C to the Motion, as a condition of payment of each such Critical Vendor's Critical Vendor Claims.
4. The Debtors are authorized, in their sole discretion, to make payments on account of a Critical Vendor Claim, subject to the other limits set forth herein, even in the

absence of a Trade Agreement if the Debtors determine, in their business judgment, that failure to pay such Critical Vendor Claim will result in harm to the Debtors' business operations.

5. If a Critical Vendor under a Trade Agreement refuses to supply goods and/or services to the Debtors on Customary Trade Terms or Minimum Credit Terms (or such other terms as are agreed by the parties) following receipt of payment on its Critical Vendor Claim or otherwise fails to comply with any Trade Agreement entered into between such Critical Vendor and the Debtors, then the Debtors reserve their rights to take any and all actions necessary to return the parties to the positions they held immediately prior to entry of this Interim Order with respect to all prepetition claims, including but not limited to: (a) declaring that any Trade Agreement between the Debtors and such Critical Vendor is terminated; (b) declaring that payments made to such Critical Vendor on account of its Critical Vendor Claims shall be deemed to have been made in payment of then-outstanding (or subsequently accruing) postpetition claims of such Critical Vendor without further order of the Court or action by any person or entity; and (c) recovering or seeking disgorgement of any payment made to such Critical Vendor on account of its Critical Vendor Claims to the extent that such payments exceed the value of any postpetition claims of such Critical Vendor, without giving effect to any rights of setoff, claims, provision for payment of reclamation or trust fund claims, or other defense. Nothing herein shall constitute a waiver of the Debtors' rights to seek damages or other appropriate remedies against any breaching Critical Vendor.

6. Notwithstanding the foregoing, the Debtors may, in their sole discretion, reinstate a Trade Agreement if the underlying default under the Trade Agreement is fully cured by the Critical Vendor not later than five (5) business days following the Debtors' notification to

the Critical Vendor that such default had occurred or the Debtors, in their sole discretion, reach a favorable alternative agreement with the Critical Vendor.

7. The amount of each Critical Vendor's Critical Vendor Claims set forth in connection with a Trade Agreement shall be used only for purposes of determining such Critical Vendor's claim for the purposes of this Order and shall not be deemed a claim allowed by the Court, and the rights of all interested persons to object to the allowance of such claim shall be fully preserved until further order of the Court. Further, signing a Trade Agreement containing a claim amount for purposes of this Interim Order shall not excuse such Critical Vendor from filing a proof of claim in these cases.

8. No claimant who receives payment in full on account of a Critical Vendor Claim is permitted to file or perfect a Lien on account of such claim, and any such claimant shall take all necessary action, at its expense, to remove any existing Lien relating to such claim.

9. The Debtors' undisputed obligations to the Suppliers under Outstanding Orders arising from (a) shipments of goods delivered to and accepted by the Debtors on and after the Petition Date and (b) provision of services to the Debtors on and after the Petition Date at the Debtors' request are hereby granted administrative expense priority status pursuant to Bankruptcy Code Section 503(b)(1)(A), and the Debtors are authorized to pay such obligations in the ordinary course of business.

10. Nothing in the Motion or this Interim Order, or the Debtors' payment of any claims pursuant to this Interim Order, shall be deemed or construed: (a) as an admission as to the validity of any claim against the Debtors or their estates or any lien on their respective properties; (b) as a waiver of the Debtors' right to dispute any such claim or lien; (c) as approval or assumption of any agreement, contract, or lease pursuant to Bankruptcy Code Section 365; (d)

as an admission of the priority status of any claim, whether under Bankruptcy Code Section 503(b)(9) or otherwise; or (e) to prejudice any of the Debtors' or any third parties' rights to seek relief under any section of the Bankruptcy Code on account of any amounts owed or paid to any Critical Vendor.

11. Nothing in the Motion or this Interim Order shall be deemed or construed as (a) a promise by the Debtors to pay any claim or (b) an implication or admission by the Debtors that any particular claim would constitute a Critical Vendor Claim.

12. Nothing in the Motion or this Interim Order, nor the Debtors' implementation of the relief granted in this Interim Order, shall be deemed to modify or waive any of the Debtors' rights with respect to goods and services requested or received from the Critical Vendors or the Suppliers, including the Debtors' rights to (a) cancel a purchase order (including any Outstanding Order), (b) decline the acceptance of goods and services, (c) return any defective, nonconforming or unacceptable good, or (d) contest the amount of any invoice or claims, or liens related thereto, on any grounds.

13. At the direction of the Debtors, the Debtors' banks and financial institutions shall be and hereby are authorized and directed to receive, process, honor, pay, and, if necessary, reissue all prepetition and postpetition checks and fund transfers, including prepetition checks and electronic payment and transfer requests that the Debtors reissue or re-request postpetition, on account of obligations owed to (a) Critical Vendors and (b) Suppliers on account of Outstanding Orders, provided that sufficient funds are on deposit in the applicable accounts to cover such payments. The Debtors' banks and other financial institutions are authorized to rely on the representations of the Debtors as to which checks and fund transfers should be honored and paid pursuant to this Interim Order.

14. The requirements set forth in Bankruptcy Rule 6004(a) are hereby waived.

15. The requirements set forth in Bankruptcy Rule 6003(b) are satisfied because the relief set forth in this Interim Order is necessary to avoid immediate and irreparable harm.

16. Notwithstanding anything to the contrary in this Interim Order or in the Motion, any payment, obligation or other relief authorized by this Interim Order shall be subject to and limited by the requirements imposed on the Debtors under the terms of any interim and/or final orders approving the use of cash collateral.

17. The final hearing (the "**Final Hearing**") on the Motion shall be held on _____, 2016, at _____, 2016, 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 _____, 2016, and shall be served on: (a) Chaparral Energy, Inc., 701 Cedar Lake Blvd., Oklahoma City, OK 73114 (Attn: Linda Byford), (b) Latham & Watkins LLP, 885 Third Avenue, New York, New York 10022 (Attn: David F. McElhoe), (c) Richards, Layton & Finger, One Rodney Square 920 North King St., Wilmington, Delaware 19801 (Attn: John H. Knight), (d) counsel to the Ad Hoc Noteholder Group, Milbank, Tweed, Hadley & McCloy LLP, 28 Liberty Street, New York, NY 10005 (Attn: Evan Fleck, Esq. and Michael Price, Esq. (e) counsel to the administrative agent for the Debtors' prepetition secured financing, Vinson & Elkins LLP, Trammell Crow Center, 2001 Ross Avenue, Suite 3700, Dallas, Texas 75201 (Attn: Chris Dewar, Esq.); (f) counsel to the official committee of unsecured creditors, if one is appointed, and (g) the United States Trustee for the District of Delaware, 844 King Street, Suite 2207, Wilmington, DE 19801 (Attn: David Buchbinder), no later than _____, 2016, at 5:00 p.m. Prevailing Eastern Time.. 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.

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

Dated: _____, 2016
Wilmington, Delaware

THE HONORABLE _____
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

Proposed Final Order

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

	X	
In re:	:	Chapter 11
	:	
CHAPARRAL ENERGY, INC., <u>et al.</u> ,	:	Case No. _____ (_____)
	:	
Debtors. ¹	:	Joint Administration Pending
	:	
	X	

FINAL ORDER (I) UNDER 11 U.S.C. §§ 105(a), 363(b), 364, 503(b)(9), 1107(a), AND 1108 AND FED. R. BANKR. P. 6003 (I) AUTHORIZING PAYMENT OF PREPETITION CLAIMS OF CERTAIN CRITICAL VENDORS AND SERVICE PROVIDERS; (II) UNDER 11 U.S.C. §§ 105(a), 363(c), AND 503(b)(1)(A) AND FED. R. BANKR. P. 6003 CONFIRMING ADMINISTRATIVE EXPENSE PRIORITY STATUS OF DEBTORS’ UNDISPUTED OBLIGATIONS FOR POSTPETITION DELIVERY OF GOODS AND SERVICES; AND (III) AUTHORIZING FINANCIAL INSTITUTIONS TO HONOR AND PROCESS RELATED CHECKS AND TRANSFERS

Upon the motion (the “Motion”)² of the Debtors for entry of a Final Order under Bankruptcy Code Sections 105(a), 363(b), 364, 503(b)(9), 1107(a), and 1108 and Bankruptcy Rule 6003, (i) authorizing, but not directing, the Debtors to pay, in the ordinary course of business, the prepetition fixed, liquidated, and undisputed claims of certain critical vendors and service providers, subject to the conditions described herein, (ii) under Bankruptcy Code Sections 105, 363(c), and 503(b)(1)(A), confirming the administrative expense priority status and authorizing payment of the Debtors’ undisputed obligations for the postpetition delivery of goods and provision of services, (iii) authorizing financial institutions to honor and process related

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); Green Country Supply, Inc. (2723); and Roadrunner Drilling, L.L.C. (2399). The Debtors’ address is 701 Cedar Lake Blvd., Oklahoma City, OK 73114.

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

checks and transfers, and (iv) granting certain related relief; and the Court having reviewed the Motion and the Fischer Declaration; and the Court having determined that the relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest; and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware* dated as of February 29, 2012; and it appearing that proper and adequate notice of the Motion has been given and that no other or further notice is necessary; and upon the record herein; and after due deliberation thereon; and good 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 Critical Vendor Claims of their Critical Vendors, subject to the terms and conditions of this Final Order; provided that payments on account of Critical Vendor Claims shall not exceed \$7,500,000 in the aggregate without further order of this Court.
3. The Debtors are authorized, but not directed, to undertake appropriate efforts to cause Critical Vendors to enter into a Trade Agreement with the Debtors substantially similar to that annexed as Exhibit C to the Motion, as a condition of payment of each such Critical Vendor's Critical Vendor Claims.
4. The Debtors are authorized, in their sole discretion, to make payments on account of a Critical Vendor Claim, subject to the other limits set forth herein, even in the absence of a Trade Agreement if the Debtors determine, in their business judgment, that failure to pay such Critical Vendor Claim will result in harm to the Debtors' business operations.

5. If a Critical Vendor under a Trade Agreement refuses to supply goods and/or services to the Debtors on Customary Trade Terms or Minimum Credit Terms (or such other terms as are agreed by the parties) following receipt of payment on its Critical Vendor Claim or otherwise fails to comply with any Trade Agreement entered into between such Critical Vendor and the Debtors, then the Debtors reserve their rights to take any and all actions necessary to return the parties to the positions they held immediately prior to entry of this Final Order with respect to all prepetition claims, including but not limited to: (a) declaring that any Trade Agreement between the Debtors and such Critical Vendor is terminated; (b) declaring that payments made to such Critical Vendor on account of its Critical Vendor Claims shall be deemed to have been made in payment of then-outstanding (or subsequently accruing) postpetition claims of such Critical Vendor without further order of the Court or action by any person or entity; and (c) recovering or seeking disgorgement of any payment made to such Critical Vendor on account of its Critical Vendor Claims to the extent that such payments exceed the value of the postpetition claims of such Critical Vendor, without giving effect to any rights of setoff, claims, provision for payment of reclamation or trust fund claims, or other defense. Nothing herein shall constitute a waiver of the Debtors' rights to seek damages or other appropriate remedies against any breaching Critical Vendor.

6. Notwithstanding the foregoing, the Debtors may, in their sole discretion, reinstate a Trade Agreement if the underlying default under the Trade Agreement is fully cured by the Critical Vendor not later than five (5) business days following the Debtors' notification to the Critical Vendor that such default had occurred; or the Debtors, in their sole discretion, reach a favorable alternative agreement with the Critical Vendor.

7. The amount of each Critical Vendor's Critical Vendor Claims set forth in connection with a Trade Agreement shall be used only for purposes of determining such Critical Vendor's claim under this Final Order and shall not be deemed a claim allowed by the Court, and the rights of all interested persons to object to the allowance of such claim shall be fully preserved until further order of the Court. Further, signing a Trade Agreement containing a claim amount for purposes of this Final Order shall not excuse such Critical Vendor from filing a proof of claim in these cases.

8. No claimant who receives payment in full on account of a Critical Vendor Claim is permitted to file or perfect a Lien on account of such claim, and any such claimant shall take all necessary action, at its expense, to remove any existing Lien relating to such claim.

9. The Debtors' undisputed obligations to the Suppliers under Outstanding Orders arising from (a) shipments of goods delivered to and accepted by the Debtors on and after the Petition Date and (b) provision of services to the Debtors on and after the Petition Date at the Debtors' request are hereby granted administrative expense priority status pursuant to Bankruptcy Code Section 503(b)(1)(A), and the Debtors are authorized to pay such obligations in the ordinary course of business.

10. Nothing in the Motion or this Final Order, or the Debtors' payment of any claims pursuant to this Final Order, shall be deemed or construed: (a) as an admission as to the validity of any claim against the Debtors or their estates or any lien on their respective properties; (b) as a waiver of the Debtors' right to dispute any such claim or lien; (c) as approval or assumption of any agreement, contract, or lease pursuant to Bankruptcy Code Section 365; (d) as an admission of the priority status of any claim, whether under Bankruptcy Code Section 503(b)(9) or otherwise; or (e) to prejudice any of the Debtors' or any third parties' rights to seek

relief under any section of the Bankruptcy Code on account of any amounts owed or paid to any Critical Vendor.

11. Nothing in the Motion or this Final Order, or the Debtors' payment of any claims pursuant to this Final Order, shall be deemed or construed as (a) a promise by the Debtors to pay any claim or (b) an implication or admission by the Debtors that any particular claim would constitute a Critical Vendor Claim.

12. Nothing in the Motion or this Final Order, nor the Debtors' implementation of the relief granted in this Final Order: shall be deemed to modify or waive any of the Debtors' rights with respect to goods and services requested or received from the Critical Vendors or the Suppliers, including the Debtors' rights to (a) cancel a purchase order (including any Outstanding Order), (b) decline the acceptance of goods and services, (c) return any defective, nonconforming or unacceptable good, or (d) contest the amount of any invoice or claims, or Liens related thereto, on any grounds.

13. At the direction of the Debtors, the Debtors' banks and financial institutions shall be and hereby are authorized and directed to receive, process, honor, pay, and, if necessary, reissue all prepetition and postpetition checks and fund transfers, including prepetition checks and electronic payment and transfer requests that the Debtors reissue or re-request postpetition, on account of obligations owed to (a) Critical Vendors and (b) Suppliers on account of Outstanding Orders, provided that sufficient funds are on deposit in the applicable accounts to cover such payments. The Debtors' banks and other financial institutions are authorized to rely on the representations of the Debtors as to which checks and fund transfers should be honored and paid pursuant to this Final Order.

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

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

16. The requirements set forth in Bankruptcy Rule 6004(a) are hereby waived.

17. The requirements set forth in Bankruptcy Rule 6003(b) are satisfied because the relief set forth in this Final Order is necessary to avoid immediate and irreparable harm.

18. Notwithstanding anything to the contrary in this Final Order or in the Motion, any payment, obligation, or other relief authorized by this Final Order shall be subject to and limited by the requirements imposed on the Debtors under the terms of any interim and/or final orders approving the use of cash collateral.

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

20. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation and/or interpretation of this Final Order.

Dated: _____, 2016
Wilmington, Delaware

THE HONORABLE [_____]
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT C

_____, 2016

TO: [Critical Vendor]
[Name]
[Address]

Trade Agreement

As you may be aware, on May 9, 2016, 2016 (the "**Petition Date**"), Chaparral Energy, Inc., together with its subsidiaries (collectively, the "**Debtors**"), filed voluntary petitions (the "**Bankruptcy Cases**") under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**"). On the Petition Date, we requested the Bankruptcy Court's authority to pay certain vendors and service providers in recognition of the importance of our relationship with such vendors and service providers. On _____, 2016, the Bankruptcy Court entered an order (the "**Order**") authorizing us, under certain conditions, to pay pre-bankruptcy claims of certain vendors and service providers that agree to be bound by the terms of the Order and to the terms set forth below. A copy of the Order is enclosed.

To receive payment on pre-bankruptcy claims, we require you to agree to supply goods and/or services to the Debtors based on "Customary Trade Terms." Customary Trade Terms are trade terms that are the same or better than the trade terms that existed immediately prior to the Petition Date or, if more favorable, that existed within the 60 day period prior to the Petition Date.

For purposes of administration of this trade program as authorized by the Bankruptcy Court (the "**Trade Payment Program**"), the Debtors and you agree as follows:

1. For purposes of this Trade Agreement, the estimated balance of your prepetition claim (accounting for any setoffs, credits or discounts) (the "**Prepetition Claim**") is \$_____. The Prepetition Claim will be paid as follows: [_____].
2. The open trade balance or credit line you will extend shall be on normal and customary terms on an historical basis for the period prior to the Petition Date or, if more favorable, within the 60 day period prior to the Petition Date.
3. In consideration for the payment described herein, you agree not to file or otherwise assert, directly or indirectly, against any or all of the Debtors, their estates, or any of their respective assets or property (real or personal), any lien (a "**Lien**"), a claim for reclamation (a "**Reclamation Claim**"), or a claim under Bankruptcy Code Section 503(b)(9) (a "**503(b)(9) Claim**"), regardless of the statute or other legal authority upon which such Lien, Reclamation Claim, or 503(b)(9) Claim may be asserted, related in any way to any remaining prepetition amounts allegedly owed to you by the Debtors arising from agreements or other arrangements entered into prior to the Petition Date. Any holders of potential

503(b)(9) Claims reserve all of their rights with respect to such claims until such claims are paid in full.

4. You will hereafter extend to the Debtors all Customary Trade Terms, which are:

[ADD INDIVIDUALIZED SET OF CUSTOMARY TRADE/SERVICE TERMS OR ATTACH/CROSS-REFERENCE TERM FROM EXISTING AGREEMENT]

Payment of your Prepetition Claim in the manner set forth in the Order may occur upon execution of this letter by a duly authorized representative of your company and the return of this letter to the Debtors. Your execution of this letter agreement and the return of the same to the Debtors constitute an agreement by you and the Debtors:

- (a) to the Customary Trade Terms and, subject to the reservations contained in the Order, to the amount of the Prepetition Claim set forth above;
- (b) that, for at least during the pendency of the Bankruptcy Cases, you will continue to supply the Debtors with goods and/or services under the Customary Trade Terms and any terms set forth herein and that the Debtors will pay for such goods and/or services in accordance with the terms hereof;
- (c) that you have reviewed the terms and provisions of the Order and acknowledge that you are bound by such terms; and
- (d) that if either the Trade Payment Program or your participation therein terminates as provided in the Order, any payments received by you on account of your Prepetition Claim will be deemed to have been in payment of postpetition obligations owed to you, and the Debtors reserve all of their rights with respect to such claims.

The Debtors and you also hereby agree that any dispute with respect to this agreement, the Order and/or your participation in the Trade Payment Program shall be determined exclusively by the Bankruptcy Court.

Please indicate your agreement to the terms hereof by returning a signed copy of this letter to [Name] at (____)_____ or [Name] (____)_____.

Sincerely,

[Debtor]

By:

Its:

Agreed and Accepted by:

[Name of Critical Vendor/Service Provider]

By:

Its:

Dated: