

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

In re:	§	
	§	Chapter 11
	§	
Barrow Shaver Resources Company LLC ¹	§	Case No. 24-33353
	§	
	§	
Debtor.	§	

**DECLARATION OF JAMES A. KATCHADURIAN IN SUPPORT
OF CHAPTER 11 PETITION AND FIRST DAY PLEADINGS**

I, James A. Katchadurian, pursuant to 28 U.S.C. § 1764, declare under the penalty of perjury that:

1. I am a Partner at CR3 Partners, LLC (“**CR3**”), I have significant experience providing restructuring advisory services, including in the oil and gas industry. This experience includes turnarounds, restructurings, cash flow improvements, and cases and proceedings pursuant to and under the United States Bankruptcy Code.

2. On July 29, 2024, CR3 was retained by the debtor and debtor-in-possession (the “**Debtor**” or “**BSR**”) in the above-captioned bankruptcy case (the “**Bankruptcy Case**”) to provide restructuring services, and on August 19, 2024, I was appointed the Chief Restructuring Officer (“**CRO**”) of the Debtor.

3. I have previously served as CRO for various oil and gas companies, including Sklar Exploration Company and Northstar Offshore Group, LLC in their bankruptcy cases. Throughout my career, I have focused on advising companies in all aspects of a restructuring, including preparing debtors for filing, managing, designing and implementing debtors’ communications,

¹ The last four digits of the Debtor’s federal tax identification number are 0510. The Debtor’s corporate headquarters is located at 977 Pruitt Place, Tyler, TX 75703.

strategic, claiming and reconciliation processes as well as plan and balloting advice, crisis management and advisor to creditors, equity investors and companies in distressed situations. I hold a Bachelor of Administration from Syracuse University.

4. I am knowledgeable about and familiar with the Debtor's business and financial affairs since my retention on July 29, 2024. Since assuming my role as CRO, I have been actively involved in the Debtor's operations.

5. I am responsible for overseeing the operations and financial activities of the Debtor including, but not limited to, monitoring cash flow, business relationships, workforce issues, and financial planning. As a result of my retention with the Debtor, my review of public and non-public documents, and my discussions with other members of the Debtor's operations team, I am generally familiar with the Debtor's business, financial condition, policies and procedures, day-to-day operations, and books and records.

6. Except as otherwise noted in this declaration (this "**Declaration**"), I have personal knowledge of the matters set forth herein or have gained knowledge of such matters from other members of the Debtor's operations team or retained advisors in the ordinary course of my responsibilities. The information contained in this Declaration is based on the best available information as of the filing of this Declaration. References to the Bankruptcy Code (as defined herein), the chapter 11 process, and related legal matters are based on my understanding of such matters in reliance on the explanation provided by, and on the advice of, counsel. If called upon to testify, I would testify competently to the facts set forth in this Declaration.

PRELIMINARY STATEMENT

7. On July 23, 2024 (the "**Involuntary Petition Date**"), Axis Energy Services, LLC, DOC Energy Services, Inc., Cudd Pressure Control, Inc., Thru Tubing Solutions, Inc., Genesis

Fluids, LLC, and Force Pressure Control, LLC (collectively, the “**Petitioning Creditors**”) filed an involuntary petition (the “**Involuntary Petition**”) under chapter 7 of title 11 of the United States Code, 11 U.S.C. § 101 *et seq.* (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the Southern District of Texas (the “**Court**”). The basis for the Involuntary Petition was outstanding trade claims owed to the Petitioning Creditors in the total amount of \$8,454,981.01.

8. On August 19, 2024 (the “**Voluntary Petition Date**”), the Debtor consented to an order for relief under chapter 11 by filing its voluntary petition for relief under chapter 11 of the Bankruptcy Code (the “**Voluntary Petition**”) in this Court. During the period between the Involuntary Petition Date and the Voluntary Petition Date (the “**Gap Period**”), the Debtor operated its business in the ordinary course of business pursuant to section 303(f) of the Bankruptcy Code. The Debtor will continue to operate its business as debtor-in-possession. I submit this Declaration in support of the Debtor’s (a) Voluntary Petition and (b) “first-day” pleadings, which are being filed concurrently herewith (collectively, the “**First Day Pleadings**”).

9. I am familiar with the contents of each First Day Pleading (including the exhibits thereto), and I believe that the relief sought in each First Day Pleading serves the interest of the Debtor’s estate and creditors.

10. To familiarize this Court with the Debtor, the Debtor’s business, the circumstances leading to the commencement of this Bankruptcy Case, and the objectives of this Bankruptcy Case, the Declaration is organized as follows:

- Part I provides an overview of the Debtor’s history, business operations, corporate structure, business relations with non-Debtor affiliates, the Mineral Interest Title Issue, as defined herein, and the retail fund;
- Part II summarizes the Debtor’s prepetition capital structure and indebtedness;

- Part III discusses the circumstances leading to the Debtor’s commencement of this Bankruptcy Case, the objectives of this Bankruptcy Case, and the means for implementing such objectives; and
- Part IV discusses the relief requested in, and the factual bases, supporting the First Day Pleadings.

I. PART I: COMPANY AND BUSINESS OVERVIEW

A. History

11. The Debtor was formed in mid-1989 with Scott O. Shaver (“**Shaver**”) and Thomas D. Barrow (“**Barrow**”)² as the original owners and is an independent oil and natural gas company focused on the exploration, development, production, and acquisition of crude oil and natural gas from properties in the Southeast Texas, East Texas, and West Texas. The Debtor’s headquarters is located in Tyler, Texas.

12. In 1994, the Debtor made two significant discoveries that started the process of putting together leases that comprised one of the largest oilfields found in the East Texas Basin. The Debtor initially controlled approximately 60,000 acres and currently still controls approximately 30,000 acres. Primarily, the Debtor’s area of exploration and acquisition expertise and effort has been focused on the larger reserve plays of the East Texas Basin and Midland Basin of Texas. Specifically, the Debtor’s operations are focused on the production of crude oil and natural gas in Morris, Freestone, Henderson, Leon, Madison, Cass, Nacogdoches, Rusk, Smith, Tom Green, Reagan, Panola, Upshur, and Camp counties, Texas.

13. In 2014, the Debtor, jointly with GeoSouthern Energy, drilled the first of an obligation of four joint wells, two horizontal wells and two vertical wells. The parties drilled a second well in 2015 that had even better production. However, due, in part, to the sale of

² Barrow passed away on June 29, 2019. His interest is owned by his estate, which is controlled by his wife, Linda Barrow. Hereinafter, references to Barrow are to the Barrow estate controlled by Linda Barrow.

GeoSouthern Energy to Devon Energy, GeoSouthern Energy withdrew from the joint venture, and the wells were temporarily shut-in until the testing agreement expired in 2017.

14. In 2018, the Debtor, along with other smaller ventures, drilled three additional wells. At this time in late 2018, NETX Acquisition, LLC (**NETX**) and ETX Minerals, LLC (**ETX**) started competing in renewals and extensions of leases and began acquiring the top leases in the Hidden Rock Field. As a result, the Debtor continued to drill multiple allocation wells.

B. The Debtor's Operations

15. The Debtor's main operations focus is on a largely contiguous block of approximately 150 leaseholds, with approximately 37,616.40326 gross acres in East Texas as of the Voluntary Petition Date (the **"East Texas Operations"**).

16. From the East Texas Operations, the Debtor produces approximately 2,200 barrels per day.

C. The Debtor's Employees

17. Prior to my appointment, the Debtor's Manager was Shaver. As of the Voluntary Petition Date, the Debtor's administrative and operational activities rely on a workforce comprised of three (3) categories of workers that are necessary for the Debtor's continued operations (the **"Workforce"**).

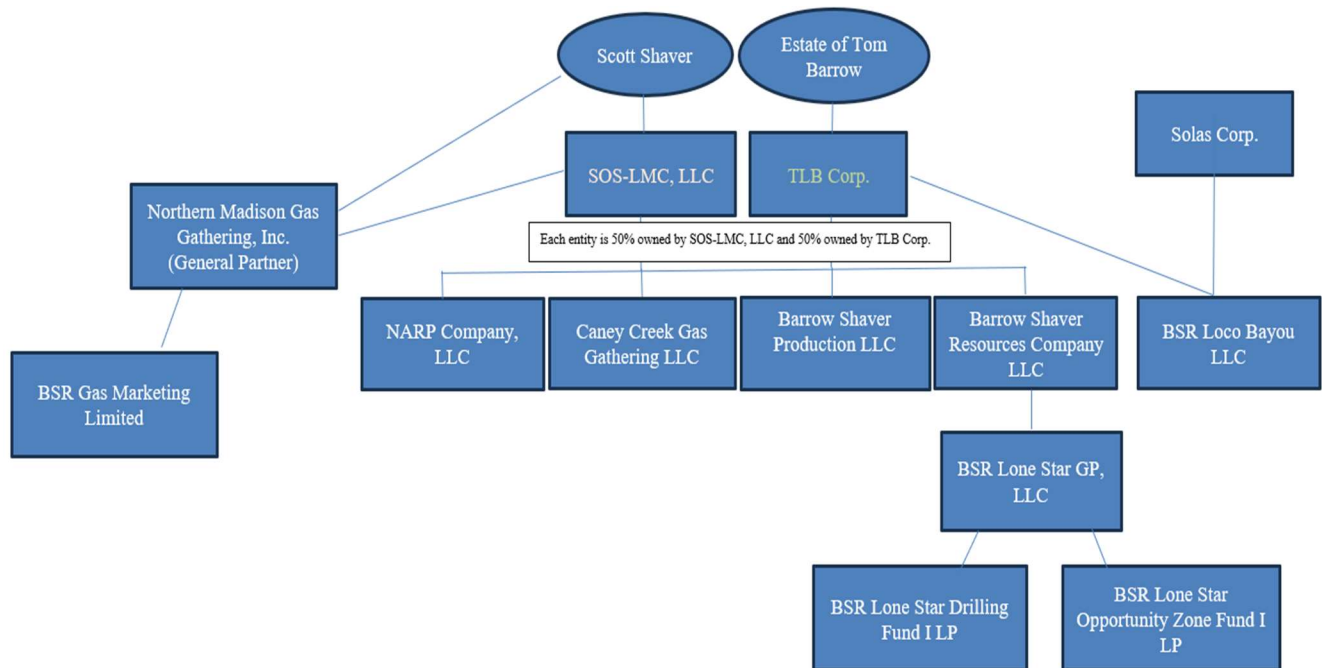
18. The Debtor employs seven (7) full-time employees who handle the administrative and management aspects of the Debtor's business operations from the Debtor's headquarters in Tyler, Texas (the **"Employees"**). The Debtor also employs seven (7) contract employees who handle the administrative and management aspects of the Debtor's business operations (the **"Office Contractors"**, and together with the Employees, the **"Office Workforce"**).

19. In addition to the Office Workforce, the Debtor contracts with fourteen (14) individuals (each a “**Field Contractor**”) who work as supervisors and pumpers to operate the oil and gas assets in the field (collectively, the “**Field Workforce**”).

D. Corporate Structure

20. While the Debtor’s corporate structure has changed over time, the Debtor is owned 50% by SOS-LMC, LLC, which is 100% owned by Shaver, and 50% by TLB Corp., which is 100% owned by Barrow.

21. SOS-LMC, LLC and TLB Corp., are affiliated with a number of other entities that directly and indirectly interact with the Debtor. As such, the Debtor’s organizational chart, including non-Debtor entities is included below:



E. The Non-Debtor Affiliates

22. In the ordinary course of the Debtor’s operations, the Debtor receives certain services from, and makes payment for such services, to certain non-Debtor affiliates. Specifically, the Debtor leases office space located in Tyler, Texas that is owned by a non-Debtor affiliate,

SHA-BAR Holdings LLC (“**SHA-BAR**”). The Debtor pays a monthly base rent to SHA-BAR in the amount of \$9,000, which is under market for the Tyler area.

23. In addition, the Debtor pays Caney Creek Gas Gathering LLC (“**Caney Creek**”) \$1,544.26 as a monthly fee for pipeline usage in the Caney Creek field, which is located in Rusk County. The wells serviced by Caney Creek are owed by a non-debtor affiliate Barrow Shaver Production LLC (“**BSP**”) and operated by the Debtor. As operator, the Debtor bills BSP for the lease operating expenses incurred by operating the wells located in Rusk County, including Caney Creek’s pipeline.

F. Mineral Interest Title Issue

24. As previously discussed, the Debtor’s operations involve exploration, development, production, and acquisition of crude oil and natural gas from properties in Southeast Texas, East Texas, and West Texas. The Debtor is the lessee under certain oil and gas leases and operator under certain joint operating agreements pertaining to oil and gas operations in the Hidden Rock field in and around Cass County, Texas (the “**Hidden Rock Field**”, and such operations being the “**Hidden Rock Operations**”). The Debtor is also the lessee and operator under certain oil and gas operations associated with fields other than the Hidden Rock Field (such operations being the “**Legacy Operations**” and together with the Hidden Rock Operations, the “**Total Operations**”).

25. The Debtor’s Total Operations involve a number of mineral interests (collectively the “**Mineral Interests**”, each a “**Mineral Interest**” and each holder of the same being a “**Mineral Interest Holder**”). As used herein, the term Mineral Interests collectively refers to (i) traditional royalty interests as reserved in the applicable oil and gas lease (each a “**Royalty Interest**” and each holder of the same being a “**Royalty Interest Holder**”), (ii) overriding royalty interests (each an “**ORRI**” and each holder of the same being an “**ORRI Holder**”), and (iii) working interests

(each a “**Working Interest**” and each holder of the same being a “**Working Interest Holder**”). A key distinction exists between Royalty Interests and ORRIs, on the one hand, and Working Interests, on the other, in that Royalty Interests and ORRIs are non-cost bearing interests while Working Interests are cost-bearing. Holders of Working Interests pay their proportionate share of costs through monthly joint interest billings (or “**JIBs**”).

26. As part of my ongoing investigation, it has become apparent that there is a fundamental issue (the “**Mineral Interest Title Issue**”) specifically affecting Working Interests and ORRIs conveyed in connection with the Hidden Rock Operations—namely, that, in certain instances, conveyances from the Debtor’s leasehold interest were either (i) not properly documented and/or (ii) not properly recorded.

27. At this juncture, it is the Debtor’s understanding that the Mineral Interest Title Issue only affects Working Interests and ORRIs conveyed in connection with the Hidden Rock Operations. While the investigation is ongoing, the Debtor understands that the Mineral Interest Title Issue does not affect any Royalty Interests (whether pertaining to Hidden Rock Operations or Legacy Operations). The Debtor also understands that the Mineral Interest Title Issue does not affect ORRIs or Working Interests pertaining to the Debtor’s Legacy Operations. The Debtor’s ongoing investigation has revealed that a number of purported insiders of the Debtor have received ORRIs and/or have not been paying their JIBs.

28. Further complicating this investigation and a possible resolution, in addition to the Involuntary Petition, on August 17, 2024, Plains Marketing, L.P. (“**Plains**”) filed a Complaint for Interpleader (such interpleader action being the “**Interpleader**”) alleging that Force Pressure Control, LLC (“**Force**”) and Axis Energy Services, LLC (“**Axis**”), both Petitioning Creditors, served notices of liens in the amount of \$2,506,506.81 (the “**Withheld Funds**”) on Plains in May

and June 2024 thereby causing Plains to deduct the Withheld Funds from certain revenue payments owed to the Debtor.

29. Until this matter is thoroughly investigated and a resolution is determined, the Debtor has proposed a course of action in the *Debtor's Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtor to Pay or Apply Payments Attributable to Mineral Interests in the Ordinary Course and (II) Granting Related Relief* filed concurrently herewith.

G. Retail Fund Partnerships

30. The Debtor is the 100% owner of BSR Lone Star GP, LLC, which is the managing general partner of BSR Lone Star Opportunity Zone Fund LP ("**BSR Opp. Zone**") and BSR Lone Star Drilling Fund I LP ("**BSR Drilling**", and with BSR Opp. Zone, the "**Partnerships**"). The Partnerships invest in the drilling, completion and equipping of oil and gas wells on, in and under leasehold rights currently owned by the Debtor and other persons owning working interests in the Hidden Rock Cotton Valley Lime formation of the East Texas Basin in Cass County, Texas and neighboring counties.

31. Additionally, the Partnerships participate in a drilling program consisting of the acquisition, drilling, and development of oil and gas prospects under a drilling program agreement between the Debtor and the Partnerships. The drilling program agreement provides that BSR, in its capacity as manager of the drilling program, will have the exclusive power and authority to act on behalf of the partnership with respect to the management and administration of the business and affairs of the drilling program and the oil and gas properties subject to the drilling program agreement. The Partnership will be co-owners of undivided interests in the oil and gas properties subject to the drilling program agreement, provided that the Partnership will own undivided interests in the wellbores only. The Partnerships pay their advance direct cost under the drilling program. Following the drilling, completion and equipping of each development wells co-funded

by the Partnership and other working interest owners, the Partnerships receive wellbore assignments equal to its proportionate funded share of drilling and completion costs, facilities costs, and other authority for expenditure and leasehold related costs relating to such development well.

II. PREPETITION CAPITAL STRUCTURE

A. Trade Debt

32. In the ordinary course, the Debtor incurs trade debt with certain vendors and suppliers in connection with the operation of its business. As of the Petition Date, the Debtor owed approximately \$67 million in trade debt to its vendors and service providers who supply materials, component parts, products, tooling, and services used in support of the Debtor's business. Many of these creditors have exercised their rights to file mechanics and mineral liens against the Debtor's assets. Based on my analysis, as of the Voluntary Petition Date, the Debtor has received \$40 million in lien perfection notices.

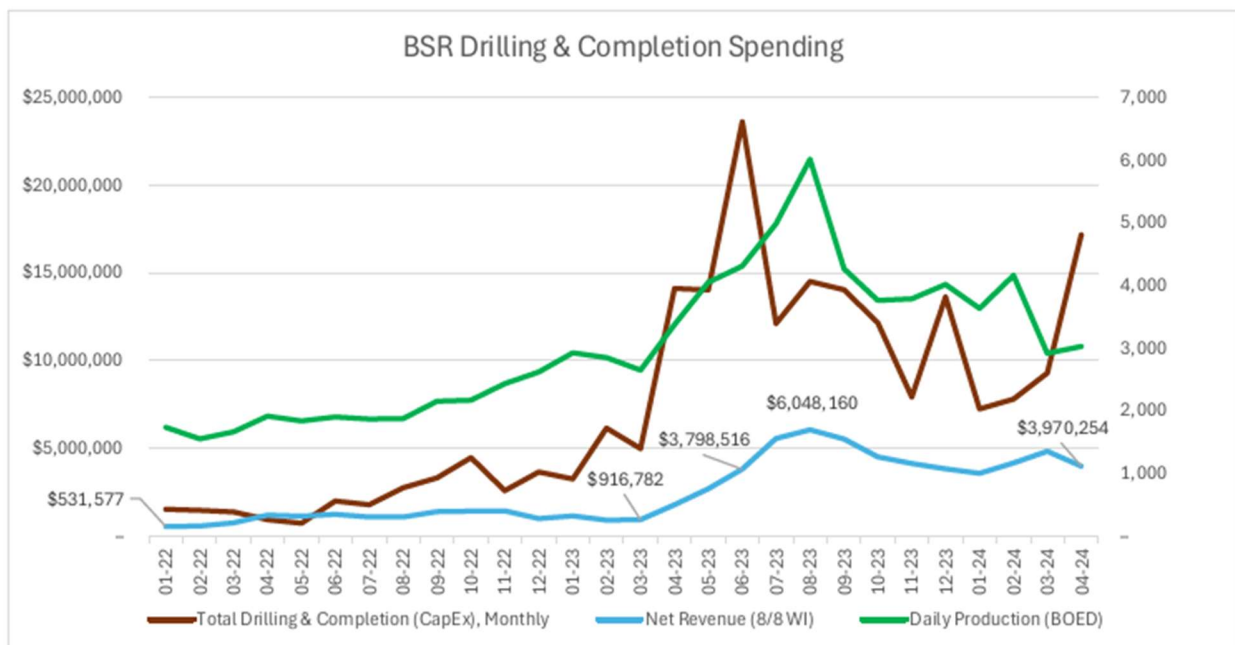
III. KEY EVENTS LEADING TO THE CHAPTER 11 FILING AND THE COMPANY'S POST-PETITION OBJECTIVES

A. 44% Working Interest and Outstanding JIB Balance

33. On December 1, 2017, the Debtor and several parties entered into a joint operating agreement for oil and gas leases located in Morris, Cass, Camp, Upshur, and Marion County (the "JOA"). At the time the Debtor entered into the JOA, it served as operator and was listed on Exhibit A to the JOA as owning 50% working interest, with the rest of the working interest being owned by other parties. With the exception of one working interest owner, none of the working interest owners recorded their working interest assignment prior to the Involuntary Petition Date. On December 1, 2023, Exhibit A to the JOA was amended to reflect an updated ownership of the

working interest, including BSP owning 44% working interest.³ Between 2017 and 2023, the Debtor did not execute any assignment to BSP to reflect a conveyance of 44% of its working interest. Additionally, based on my review of the Debtor's books and records, BSP did not pay any consideration for the 44% working interest. It is my belief that the Debtor owns the 44% working interest and not BSP.

34. Between 2023 and 2024, the Debtor conducted an aggressive drilling program in the East Texas Basin. The drilling program resulted in significant capex expenditures that far exceeded the Debtor's corresponding production gains. As such, the Debtor was unable to pay its proportionate share of the cost of operations.



35. In addition, the Debtor proposed certain operations relating to various initial test wells⁴ (the “**Initial Wells**”) to the other working interest owners. Under the JOA, each working interest owner has the option to either (i) participate in the proposed operation; or (ii) not

³ Sometime after 2017, the Debtor assigned 6% working interest to another working interest owner.

⁴ The Winne #1, Wilmeth-Wren (AW),

participate. If a working interest consents to the proposed operations, then such working interest owner becomes a “consenting party” and shares in the operation costs and liabilities for such proposed actions. In contrast, if a working interest owner does not participate, then such working interest owner is a “non-consenting party.” Several working interest owners elected to not participate in proposed operations for the Initial Wells, causing the Debtor to take up additional share of the operations. This extra burden, coupled with its own share of the cost of operations under the aggressive drilling program, resulted in the \$67 million debt.

B. The Litigation

36. The Debtor is currently involved in a number of district court lawsuits affecting multiple BSR wells in the Hidden Rock Field. Many of the lawsuits involve ETX and NETX.

37. The lawsuits involving ETX and NETX are premised on the general allegation that the Debtor did not commence operations under the applicable lease. The Debtor has successfully defeated ETX and/or NETX’s requests for both temporary restraining orders and temporary injunctions to stop the Debtor from completing certain wells. Moreover, courts have made favorable rulings regarding the enforceability of the regulation and delay clause.

C. Prepetition Restructuring Efforts

38. Given the Debtor’s significant debt service and deepening liquidity constraint, the Debtor explored potential avenues to successfully restructure its business and balance sheet through one or more potential out-of-court transactions. Earlier this year, the Debtor identified a potential purchaser to acquire working interests in various fields (the “**Potential Purchaser**”). However, as the Potential Purchaser continued to conduct due diligence, the Debtor fell behind on paying certain trade creditors necessary for operations, which led to the Involuntary Petition.

D. Hiring Advisors and Engaging with Potential

39. During the Gap Period, the Debtor engaged Jones Walker LLP to serve as restructuring counsel and CR3 as restructuring advisor. As previously discussed, on August 19, 2024, the Debtor expanded CR3's engagement to appoint myself as CRO.

E. Goals of Consenting to Relief Under Chapter 11 of the Bankruptcy Code

40. I believe that the Debtor filing the Voluntary Petition, which in effect, consented to an order relief under chapter 11, will provide a process that will maximize value for the Debtor's estate and is in the best interest of the Debtor and all of its stakeholders. At the same time, the Debtor cannot operate its business and maintain ongoing operations through cash collections alone and needs post-petition financing in order to maintain operations. The Debtor has undertaken an extensive effort to locate a financing source to continue its operations in chapter 11 so that it may pursue a sale of its assets and confirm a plan of reorganization that will allow provide, depending on the size of the claims pool (among other factors), a significant distribution to creditors on account of their allowed claims. To this end, prior to the Voluntary Petition Date, the Debtor sought indications of interests from parties willing to provide debtor-in-possession financing, including from the Potential Purchaser and other parties. The Debtor is still in the process of finding a party to provide debtor-in-possession financing but has received a firm commitment from one interested party.

IV. FIRST DAY PLEADINGS

41. Contemporaneously with this Declaration, the Debtor has filed several First Day Pleadings seeking orders granting various forms of relief intended to stabilize the Debtor's business operations and facilitate the efficient administration of the Bankruptcy Case. I have reviewed each of the First Day Pleadings, and I believe that the relief requested in the First Day Pleadings is necessary to allow the Debtor to operate with minimal disruption during the pendency

of the Bankruptcy Case. The Debtor intends to seek entry of Court orders approving each of the First Day Pleadings as soon as possible in accordance with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Bankruptcy Local Rules for the Southern District of Texas, and the Complex Case Procedures. Absent the Court granting the relief requested by the Debtor in its First Day Pleadings on an emergency basis, I believe that the Debtor will suffer immediate and irreparable harm.

42. A description of the relief requested and the facts and opinions supporting each of the First Day Pleadings is detailed in **Exhibit A**.

[Remainder of Page Intentionally Blank]

Pursuant to 28 U.S.C. § 1746, to the best of my knowledge, information, and belief, and after reasonable inquiry, I declare under penalty of perjury that the foregoing is true and correct.

Dated: August 19, 2024
Houston, Texas

/s/ James A. Katchadurian

James A. Katchadurian
Chief Restructuring Officer of Barrow
Shaver Resources Company LLC

EXHIBIT A

Evidentiary Support for First Day Pleadings¹

¹ Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Declaration and/or the applicable First Day Pleadings.

I. ADMINISTRATIVE MOTIONS

A. Emergency Ex Parte Application for Entry of an Order Authorizing the Employment and Retention of Kroll Restructuring Administration LLC as Claims, Noticing, And Solicitation Agent (the “Kroll Retention Application”).

1. Pursuant to the Kroll Retention Application, the Debtor request that the Court appoint Kroll Restructuring Administration LLC (“Kroll”) as claims, noticing, and solicitation agent in the Bankruptcy Case, in accordance with the terms and conditions of that certain Engagement Agreement dated August 7, 2024, by and between the Debtor and Kroll, effective as of the Voluntary Petition Date. Kroll’s duties will include preparing and serving required notices and documents in this Bankruptcy Case in accordance with the Bankruptcy Code and the Bankruptcy Rules in the form and manner directed by the Debtor and the Court.

2. I understand Kroll is comprised of leading industry professionals with significant experience in both the legal and administrative aspects of large, complex chapter 11 cases. I believe that Kroll’s professionals have experience in noticing, claims administration, solicitation, balloting, and facilitating other administrative aspects of chapter 11 cases and that Kroll’s rates are competitive and reasonable given Kroll’s quality of services and expertise. In view of the number of anticipated claimants in this Bankruptcy Case, the Debtor submits that the appointment of a claims, noticing, and solicitation agent is in the best interests of the Debtor’s estates. Based on the foregoing, I believe that the relief requested in the Kroll Retention Application should be approved.

B. Emergency Motion for Entry of an Order (I) Authorizing the Debtor to Redact Certain Personally Identifiable Information, (II) Approving the Form and Manner of the Notice of Commencement, and (III) Granting Related Relief (the “Redaction Motion”).

3. The Debtor seeks entry of an order authorizing the Debtor to redact certain personally identifiable information and approving the form and manner of notice of commencement of the Bankruptcy Case. While transparency is important to the judicial process,

Congress has recognized a counterbalancing interest in the need to protect the identities and privacy of individuals who have dealings with debtors. Although an individual creditor's physical and email addresses are not explicitly enumerated as a "means of identification" they are within the scope of the protected information contained in the Bankruptcy Code. Cause therefore exists to authorize the Debtor to redact the physical and email addresses of any individual creditors from any paper filed or to be filed with the Court.

4. Without such relief, the Debtor may unnecessarily render individuals more susceptible to identity theft and harassment by publishing their addresses without any advance notice or opportunity to opt out or take protective measures.

C. Emergency Motion for Entry of an Order (I) Extending the Time to File Schedule of Assets and Liabilities, Schedule of Current Income and Expenditures, Schedule of Executory Contracts and Unexpired Leases, Statement of Financial Affairs, and Rule 2015.3 Financial Reports, and (II) Granting Related Relief (the "Schedules and Statements Motion").

5. The Debtor seeks entry of an order extending the deadline by which the Debtor must file (a) its schedule of assets and liabilities, schedule of current income and expenditures, schedule of executory contracts and unexpired leases, and statement of financial affairs (collectively, the "Schedules and Statements") by forty-five (45) days from the Voluntary Petition Date, through and including October 3, 2024, and (b) its financial information reports under Rule 2015.3(a) ("Rule 2015 Reports") through and including October 3, 2024, without prejudice to the Debtor's ability to request additional extension for cause shown.

6. In the days leading up to the Petition Date, the Debtor's primary focus has been preparing for this Bankruptcy Case, as described in detail in this Declaration. Focusing the attention of key personnel on critical operational and chapter 11 compliance issues during the early days of this Bankruptcy Case will facilitate the Debtor's smooth transition into chapter 11, thereby

maximizing value. I understand the Debtor is seeking an extension of the deadline to file its Schedules and Statements for forty-five (45) days from the Voluntary Petition Date. I do not believe that these extensions will prejudice any party in interest, because the Debtor has and will work diligently and cooperatively with the U.S. Trustee and other interested parties to provide access to appropriate business and financial information.

7. Additionally, I believe the Debtor cannot complete the initial Rule 2015 Reports in the time set forth under Bankruptcy Rule 2015 without significant hardship. I believe that extending the time to file the Rule 2015 Reports is necessary due to the size, complexity, and scope of the Debtor's business and the substantial burdens on the Debtor in the early stages of this Bankruptcy Case that would result if required to comply within the Bankruptcy Rule 2015 timeframe. Additionally, I believe that extending the deadline to file the Rule 2015 Reports will enable the Debtor to coordinate with the U.S. Trustee and its financial advisors to establish the scope of the Rule 2015 Reports and discuss any necessary modifications. I do not believe that these extensions will prejudice any party in interest, because the Debtor will work diligently and cooperatively with the U.S. Trustee and other interested parties to provide access to appropriate business and financial information.

8. I submit that the relief requested in the Schedules and Statements Motion is necessary to avoid immediate and irreparable harm to the Debtor. Accordingly, on behalf of the Debtor, I respectfully request that the relief sought in the Schedules and Statements Motion be approved.

II. OPERRATIONAL MOTIONS REQUESTING IMMEDIATE RELIEF

A. Emergency Motion for Entry of an Order (I) Authorizing, but not Directing, the Debtor to Maintain Existing Workforce; (II) Authorizing, but not Directing, the Debtor to Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses; and (III) Granting Related Relief (the “Wages Motion”).

9. By the Wages Motion, the Debtor seeks entry of an order, (a) authorizing, but not requiring, the Debtor to maintain its existing Workforce in the ordinary course of business; (b) authorizing, but not requiring, the Debtor to pay prepetition wages, salaries, compensation (including overtime),² and reimbursable expenses (the “Compensation”) to its Workforce, as well as remit amounts withheld from the Compensation to applicable taxing authorities in the ordinary course of business during the Bankruptcy Case, including payment of certain prepetition obligations and obligations arising and paid during the Gap Period; and (c) granting related relief.

10. The Debtor’s administrative and operational activities rely on a workforce comprised of three (3) categories of workers that are necessary for the Debtor’s continued operations (the “Workforce”). The Debtor believes that the Workforce relies exclusively on their compensation and benefits to pay their daily living expenses and to support their families. Thus, employees will be exposed to significant financial hardship if the Debtor is not permitted to continue payment of their compensation.

i. Office Workforce

11. The Debtor employs six (6) full-time employees who handle the administrative and management aspects of the Debtor’s business operations from the Debtor’s headquarters in Tyler,

² In addition to their standard, hourly wage, eligible employees may be entitled to overtime compensation, which is typically paid at 1.5 times the hourly employee’s regular rate of pay.

Texas (the “**Employees**”).³ The Debtor also employs seven (7) contract employees who handle the administrative and management aspects of the Debtor’s business operations (the “**Office Contractors**”, and together with the Employees, the “**Office Workforce**”).

12. The Office Workforce’s skills, knowledge, and understanding of the Debtor’s infrastructure and operations are essential to the continued operation and viability of the Debtor’s business and preserving operational stability and efficiency. Many of these employees have significant institutional knowledge that cannot be easily replaced. Without their continued, uninterrupted employment, the Debtor will not be able to maintain its operations during this Bankruptcy Case.

13. The Debtor employs approximately six (6) full-time Employees, each of which receives a salary. Four (4) of the Debtor’s Employees are paid semi-monthly on the fifteenth and thirtieth day of each month, and two (2) of the Debtor’s Employees are paid monthly on the thirtieth day of each month. The Debtor’s average monthly payroll for Employees totals approximately \$42,976.47.⁴ Of this amount, \$35,843.34 is related to non-insider employees.

14. In addition to the Debtor’s Employees, the Debtor relies on the Office Contractors to complete discrete tasks. The Debtor employs seven (7) Office Contractors as part of the Office Workforce. Three (3) of the Office Contractors are paid semi-monthly on the fifteenth and thirtieth day of each month, and four (4) of the Office Contractors are paid monthly on the thirtieth of each month. With the exception of two (2) of the Office Contractors that are paid a monthly set amount,

³ Beginning August 16, 2024, the Debtor employs an additional Employee who previously worked for the Debtor in a temporary capacity through a third-party outsourcing agency. Thus, as of the filing of the Voluntary Petition, the Debtor has seven (7) Employees.

⁴ With the addition of the seventh full-time Employee, the Debtor’s average monthly payroll for Employees will increase by approximately \$4,160 for a total monthly payroll of approximately \$47,136.47.

the remaining five (5) Office Contracts are paid hourly. The Debtor's average monthly payroll for Office Contractors totals approximately \$70,691.00.

15. The Office Workforce monthly payroll totals approximately \$113,667.47.

16. The Debtor processes and pays the Office Workforce compensation internally out of its Operating Bank Account, as defined in the Cash Management Motion. It is critically important that the Debtor is able to continue to compensate the Debtor's Office Workforce on the historical payroll schedule during the pendency of the Bankruptcy Case.

17. As of the Involuntary Petition Date, the Debtor had a payroll due on July 31, 2024, for the Office Workforce, including accrued and unpaid wages earned prior to the Involuntary Petition Date. The Debtor paid the Office Workforce for this period on July 31, 2024.

18. During the Gap Period, the Debtor had payroll due on August 15, 2024, for the Office Workforce that is paid semi-monthly, including accrued and unpaid wages earned during the Gap Period. The Debtor paid the Office Workforce that receives semi-monthly paychecks for this period on August 15, 2024.

19. As of the Voluntary Petition Date, the Debtor will next process payroll on August 31, 2024, which will include amounts accrued during the Gap Period.

ii. Field Workforce

20. In addition to the Office Workforce, the Debtor contracts with fourteen (14) individuals (each a "**Field Contractor**") who are necessary components of the Debtor's oil and gas operations (collectively, the "**Field Workforce**"). The Debtor issues a 1099-MISC (each a "**1099**") to each Field Contractor or, in instances where the Field Contractor operates under a distinct entity, the entity on behalf of the Field Contractor.

21. The Field Workforce has particular skill and knowledge related to the Debtor's oil and gas assets that is essential for the continued operation and maximization of value necessary for operations during this Bankruptcy Case. The Field Workforce is essential to the continued operation of the Debtor's oil and gas assets. Without their continued, uninterrupted employment, the Debtor will not be able to maintain its operations during this Bankruptcy Case.

22. Two (2) of the Field Contractors are paid semi-monthly on the fifteenth and thirtieth day of each month, and twelve (12) of the Field Contractors are paid monthly on the thirtieth day of each month. The Debtor's average monthly payroll for the Field Contractors totals approximately \$122,880.00.

23. During the Gap Period, the Debtor had a payroll due on July 31, 2024, for the Field Workforce, including accrued and unpaid wages earned prior to the Involuntary Petition Date. The Debtor paid the Field Workforce for this period on July 31, 2024.

24. During the Gap Period, the Debtor had a payroll due on August 15, 2024, for the Field Workforce that is paid semi-monthly, including accrued and unpaid wages earned during the Gap Period. The Debtor paid the Field Workforce that receives semi-monthly paychecks for this period on August 15, 2024.

25. On August 31, 2024, the Debtor will have a payroll due that will include wages, salaries, and other compensation accrued during the Gap Period. As part of the relief requested herein, the Debtor seeks authority to pay the Field Workforce for those wages, salaries, and other compensation accrued during the Gap Period.

iii. Withholding Obligations and Taxes

26. As of the Voluntary Petition Date, the Debtor owes \$14,974.74 in Employer Payroll Taxes incurred prepetition and during the Gap Period. The Debtor estimates that it will accrue

monthly Employer Payroll Taxes of approximately \$12,000.00. The Debtor further estimates that it will be required to withhold approximately \$10,000.00 on account of Withholding Taxes each month on account of the Debtor's Employees.

iv. Employee Benefits

27. In the ordinary course of business, the Debtor provides benefits including paid time off, including holidays and vacation days for its Employees. The Debtor does not believe there are any obligations owing as of the Voluntary Petition Date on account of vacation days or holidays.

28. The Debtor provides workers' compensation insurance for its Employees as required by applicable law. The Debtor also does not believe that it currently has any workers' compensation claims outstanding.

v. Reimbursable Expenses

29. In the ordinary course of business, the Debtor reimburses the Workforce for certain out-of-pocket expenses, including supplies and equipment necessary for performing their employment duties. The majority of reimbursable expenses are paid directly by the Workforce and reimbursed by the Debtor. In general, the reimbursable expenses are nominal and are not incurred on a routine basis.

30. In the ordinary course of business, and as part of their employment arrangement, certain of the Debtor's Workforce are reimbursed for their mileage and other vehicle related expenses. On average, the Debtor's monthly reimbursement for vehicle related expenses is approximately \$655.

31. To the extent certain reimbursable expenses have already been incurred by the Workforce either before the Involuntary Petition Date or during the Gap Period, the Debtor seeks

authority to reimburse such expenses and to continue reasonable reimbursements for authorized expenses in the ordinary course of the Debtor's business.

32. The Employees are all critical to ensuring that the value of the Debtor's assets are preserved during the Bankruptcy Case and given the significantly trimmed workforce of the Debtor, the importance of the contribution of the Workforce cannot be overstated. The institutional knowledge, experience, and skills of the Employees are essential to the Debtor's ability to preserve and maximize the value of the Debtor's assets during the Bankruptcy Case. The Workforce perform critical functions for the Debtor, including, among many other things, project/job implementation, oil field service, finance, management, supervisory and administrative functions.

33. The relief requested in the Wages Motion is necessary for the Debtor to be able to maintain morale, continue to maintain the businesses, and preserve the value of the Debtor's estates. If the Debtor cannot assure its Workforce that the Debtor will promptly pay wages, salaries, other compensation, to the extent allowed under the Bankruptcy Code, including certain reimbursable expenses, then I believe that some of the Workforce will likely seek employment elsewhere.

34. The loss of Workforce at this juncture would have a material adverse impact on the Debtor's businesses and ability to maximize value through the administration of these Bankruptcy Case. The relief requested in the Wages Motion is necessary for the Debtor to be able to maintain morale, continue to maintain the business, and preserve creditor confidence in the Debtor's continued operations and preserve the value of the Debtor's estate during the pendency of the Bankruptcy Case.

35. Accordingly, for the reasons set forth herein and expanded on in the Wages Motion, on behalf of the Debtor, I respectfully submit that the relief requested in the Wages Motion is in

the best interests of the Debtor's estate, its creditors, and all other parties in interest, and will enable the Debtor to continue to operate its business in the Bankruptcy Case with minimal disruption, thereby maximizing value for the estates.

B. Debtor's Emergency Motion for Entry of an Order (I) Authorizing (A) the Debtor to Pay its Prepetition Insurance Obligations, (B) the Debtor's Insurance Obligations Payment Made During the Gap Period, and (C) the Debtor to Maintain its Financial Assurance; (II) Granting Relief from the Automatic Stay with Respect to Workers' Compensation Claims; and (III) Granting Related Relief (the "Insurance Motion").

36. In the Insurance Motion, the Debtor requests entry of an order authorizing (a) the Debtor to continue, renew, modify, supplement or extend its insurance policies, or obtain new insurance policies as needed in the ordinary course of business; (b) all payments related to Insurance Obligations that accrued prior to the Involuntary Petition Date but were paid during the Gap Period in the ordinary course of business; and (c) all banks and financial institutions (collectively, the "Banks") to honor and process checks and electronic transfer requests related thereto.

37. As described in the Insurance Motion, in the ordinary course of business, the Debtor maintain certain policies, including, but not limited to, inland marine package, control of well insurance, commercial property, general commercial liability including hired & non-owned auto, excess liability, and workers' compensation and various other insurance programs through several different insurance carriers (collectively, the "Insurers Carriers") under the insurance contracts (collectively, the "Insurance Policies"), as summarized in Exhibit A annexed to the Insurance Motion. The Debtor renewed the annual policy terms under its Insurance Policies on June 1, 2024. The total premiums for the 2024/2025 coverage period total approximately \$149,053.67 in the aggregate. To the best of my knowledge, no outstanding premiums are owing as of the Voluntary Petition Date. The Debtor entered into a Premium Finance Agreement with First Insurance

Funding (the “PFA”) to fund the premiums as part of the renewal process. Monthly payments in the amount of \$13,107.78 are due each month through May 2025.

38. It is imperative that the Debtor timely pay for its 2024/2025 premiums for its Insurance Policies through the PFA.

39. During the Gap Period, the Debtor paid a Prepetition Insurance Obligation payment of \$13,107.78 under the Financing Agreement in the ordinary course of business. That payment was necessary in order for the Debtor to protect its assets and recoverable value from operational risks, as well as maintain legally-mandated insurance coverage, and good relationships with First Insurance Funding and the Insurance Carriers.

40. The Insurance Policies are essential to preserving the value of the Debtor’s business operations and its assets. In many cases, the insurance coverage provided by the Insurance Policies is required by various regulations, laws, and contracts that govern the Debtor’s businesses and commercial activities.

41. For the reasons set forth herein and in the Insurance Motion, on behalf of the Debtor, I respectfully submit that the relief requested in the Insurance Motion is in the best interests of the Debtor’s estate, its creditors, and all other parties in interest, and will enable the Debtor to continue to operate its business in compliance with contractual and regulatory requirements and to safeguard the value of its estate.

C. Emergency Motion for Entry of Interim and Final Orders (I) Authorizing Continuation of Existing Cash Management System, Including Maintenance of Existing Bank Accounts, Checks, and Business Forms, (II) Authorizing Continuation of Existing Deposit Practices, and (III) Granting Related Relief (the “Cash Management Motion”).

42. The Debtor seeks entry of an interim order and final order (a) authorizing, but not directing, the Debtor to (i) continue operating its Cash Management System, as defined below, and

maintain its existing Bank Accounts, as defined below, including honoring certain prepetition obligations and payments made during the Gap Period, (ii) maintain existing business forms, checks, and books and records in the ordinary course of business, (iii) open and close Bank Accounts as necessary and appropriate, (iv) continue existing deposit practices, and (b) granting related relief.

43. In the ordinary course of business, the Debtor maintains an integrated, centralized cash management system (the “**Cash Management System**”) to facilitate the timely and efficient collection, management, and disbursement of funds in the ordinary course of business. The Cash Management System allows the Debtor to control funds, ensure cash availability, and reduce administrative costs by facilitating the movement of funds among multiple entities. The Debtor’s Office Workforce monitors the Cash Management System daily and employs appropriate and customary controls with respect to entering, processing, and releasing funds.

44. Given the economic and operational scale of the Debtor’s business, any disruption to the Cash Management System would materially impair the Debtor’s operations, and irreparably harm its estate and stakeholders. To minimize any such disruptions, and to maximize the value of the Debtor’s estates, the Debtor requests authority to continue operating its Cash Management System in the ordinary course of business during this Bankruptcy Case.

45. The Cash Management System is comprised of eight (8) Bank Accounts maintained with Texas Bank and Trust (“**TBT**” or the “**Cash Management Bank**”), which is an authorized depository in Region 7 and is insured by the Federal Deposit Insurance Corporation.

46. The Cash Management System functions to pool funds deposited into the Debtor’s Cash Management System and manually transfer and allocate funds accordingly for proper cash

disbursement. Prior to the Voluntary Petition Date, the Debtor maintained the following accounts at TBT:

Designated Account Name⁵	Account Function	Last Four Digits of Account Number	Balance as of August 19, 2024	Account Description
Savings	Receiving Revenue	7324	\$4,811,763.69	The Debtor maintains the “Savings” Bank Account at TBT to receive all revenues from purchasers, including operated and non-operated wells. The funds deposited into the Savings Bank Account are manually transferred to other Bank Accounts within the Cash Management System for further processing.
Drilling	Operations Disbursement	7197	\$1,404,217.82	The Debtor maintains the “Drilling” Bank Account at TBT. Cash is manually transferred to the Drilling Bank Account from the Savings Bank Account to pay operational expenses for the Debtor’s oil and gas assets outside of the “BSR Field.” During drilling operations, prepayments or cash-calls are also deposited into this account. ⁶
Lease	Leasehold and Related Expenses	9410	\$36,224.87	The Debtor maintains the “Lease” Bank Account at TBT. In January 2024, the function of the Lease Bank Account was consolidated with the Drilling Bank Account. It was the Debtor’s intention to close this account

⁵ In several instances, the Designated Account Names are arbitrary. Nothing should be inferred from the designated Account Name.

⁶ While this has historically been the prepetition practice of the Debtor, the Debtor does not anticipate this practice to continue during the Bankruptcy Case. The inclusion of this function is for transparency and disclosure purposes.

Designated Account Name⁵	Account Function	Last Four Digits of Account Number	Balance as of August 19, 2024	Account Description
				but currently plans to maintain this account due to open and outstanding pre-petition payables to vendors.
BSR Field	BSR Field Operations	7766	\$56,513.83	The Debtor maintains the “BSR Field” Bank Account at TBT. Cash for the BSR Field is manually transferred to the BSR Field Bank Account from the Savings Bank Account to pay operational expenses for the Debtor’s oil and gas assets located in the BSR Field.
Revenue	Revenue Disbursements	9224	\$400,100.03	The Debtor maintains the “Revenue” Bank Account at TBT. Funds are manually transferred from the Savings Bank Account to the Revenue Bank Account to make revenue disbursements.
Operating	Office and Administrative Expenses	9534	\$68,938.54	The Debtor maintains the “Operating” Bank Account at TBT. Funds are manually transferred into the Operating Bank Account from other accounts in the Cash Management System, such as rental income and administrative overhead. Funds are then disbursed from the Operating Bank Account to pay employee salaries and other administrative expenses.
Suspense	Revenue Suspense Disbursement	1039	\$150,730.30	The Debtor maintains the “Suspense” Bank Account at TBT. Funds are manually transferred and held in either the Suspense Bank Account or the Savings Bank Account. The Debtor holds the funds in

Designated Account Name⁵	Account Function	Last Four Digits of Account Number	Balance as of August 19, 2024	Account Description
				these Bank Accounts until it can make disbursements for the release of suspended revenue.
Inter Office Fund	Additional Office and Administrative Expenses	1222	\$458,037.7	The Debtor maintains the “Inter Office Fund” Bank Account at TBT to hold funds received from certain interests in wells owned by the Debtor. The funds held in the Inter Office Fund were set aside for informal employee bonus programs, retirement, and other unexpected administrative expenses.

47. The Debtor should be allowed to continue using the existing Bank Accounts at TBT in the ordinary course of business and consistent with the Debtor’s prepetition practice. The Cash Management System is complex and critical to the ongoing stability of the Debtor’s businesses and smooth transition into this Bankruptcy Case. Requiring the Debtor to immediately transfer the funds in these Bank Accounts to a different account or depository would place a needless administrative burden on the Debtor and impose material costs upon the Debtor’s estate. The Debtor will work in good faith with the U.S. Trustee to address any concerns regarding the continued use of these Bank Accounts on a postpetition basis, but request authority to continue using such accounts in the ordinary course until the Debtor can coordinate an orderly reallocation of the funds in these Bank Accounts to the extent necessary.

48. The Debtor also seeks to minimize expenses to the estate and to avoid confusion on the part of employees, customers, and vendors during the pendency of the Bankruptcy Case, the Debtor request that the Court authorize the continued use of all business forms, checks, and books

and records in the ordinary course of business without reference to the Debtor's status as debtor-in-possession, rather than requiring the Debtor to incur the expense and delay of ordering entirely new checks and business forms as required under the U.S. Trustee Guidelines.

49. As the Debtor transitions into the Bankruptcy Case, and in an effort to update and improve the efficiency of the Debtor's Cash Management System, the Cash Management Motion seeks authority to make reasonable adjustments and improvements to the treasury services provided by TBT in the ordinary course of business.

50. Allowing the Debtor to maintain its current cash management system will avoid disruption and a diminution in its resources for administrative needs when those resources will be better used to effectuate the restructuring process. The Debtor's current system is adequate for the Court and all interested parties to differentiate pre- and post-petition transactions.

51. For the foregoing reasons, I believe that it is in the best interests of the Debtor, its estate and creditors, and all other parties in interest that the Court grant the relief requested in the Cash Management Motion.

D. Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtor to Pay or Apply Payments Attributable to Mineral Interests in the Ordinary Course and (II) Granting Related Relief (the "Royalty Motion").

52. In total, the Debtor has paid an average of \$890,027 per month to Royalty Interest Holders over the past twelve months with a range of \$549,387 to \$1,461,3693 per month. In connection with the Total Operations, the Debtor has not made any payments in connection with Royalty Interests during the Gap Period. The last check date cycle was July 22, 2024.

53. In total, the Debtor has paid an average of \$369,503 per month to ORRI Holders over the past twelve months with a range of \$242,623 to \$551,486 per month. In connection with

the Total Operations, the Debtor has not made any payments in connection with ORRIs during the Gap Period. The last check date cycle was July 22, 2024.

54. In total, the Debtor has paid an average of \$3,620,754 per month to Working Interest Holders over the past twelve months with a range of \$2,382,603 to \$5,430,583 per month. In connection with the Total Operations, the Debtor has not made any payments in connection with Working Interests during the Gap Period. The last check date cycle was July 22, 2024.

55. In connection with the Hidden Rock Operations, the Debtor is obligated under the applicable oil and gas leases to make certain payments. Such obligations are pursuant to obligations contained and reserved under the oil and gas leases pursuant to which the Debtor is the lessee and thus are not affected by the Mineral Interest Title Issue.

56. Regarding the Hidden Rock Operations only, the Debtor has paid an average of \$849,970 per month to Royalty Interest Holders over the past twelve months with a range of \$533,140 to \$1,417,159 per month. In connection with the Hidden Rock Operations, the Debtor has not made any payments in connection with Royalty Interests during the Gap Period. The last check date cycle was July 22, 2024.

57. In connection with the Hidden Rock Operations, the Debtor has paid an average of \$332,916 per month to ORRI Holders over the past twelve months with a range of \$231,811 to \$519,317 per month. In connection with the Hidden Rock Operations, the Debtor has not made any payments in connection with ORRIs during the Gap Period. The last check date cycle was July 22, 2024.

58. In connection with the Hidden Rock Operations, the Debtor has paid an average of \$3,341,676 per month to Working Interest Holders over the past twelve months with a range of \$2,204,162 to \$5,155,448 per month. In connection with the Hidden Rock Operations, the Debtor

has not made any payments in connection with Working Interests during the Gap Period. The last check date cycle was July 22, 2024.

59. I believe that the Debtor's business would suffer significantly if the Debtor failed to make the above-mentioned payments. Specifically, it is my understanding that non-payment may result in the imposition of interest, fines, recovery of costs and attorneys' fees against the Debtor's estate. I understand that, if successful, these enforcement actions could result in the forfeiture, cancellation, or termination of the Debtor's interests.

60. I understand that the harm from non-payment is likely to significantly exceed the amount of any such claim. The Debtor's ongoing operations depend on continuing relationships with the parties to whom the Debtor owes payment, and a failure to pay could result in such counterparties attempting setoff, recoupment, or other remedies. Additionally, these parties may be reluctant to do business with the Debtor in the future if the Debtor fails to pay any outstanding amounts. As such, any failure to timely pay these amounts may result in protracted disputes, the incurrence of needless costs, unnecessary distraction, and corresponding value destruction to the Debtor's business.

61. The Debtor's oil and gas production is a significant source of revenue and should not be jeopardized by a failure to satisfy the payments. Failure to make such payments would likely cause irreparable harm as the Debtor may not be able to renew or reinstate defaulted or terminated interests.

E. Emergency Motion for Entry of Order (I) Prohibiting Utility Companies from Altering or Discontinuing Service on Account of Prepetition Invoices, (II) Approving Deposit as Adequate Assurance of Payment, and (III) Establishing Procedures for Resolving Requests by Utility Companies for Additional Assurance of Payment (the “Utilities Motion”).

62. In the Utilities Motion, the Debtor requests an order (a) prohibiting the Utility Companies from (i) altering, refusing, or discontinuing utility services to, or discriminating against, the Debtor on account of any outstanding amounts for services rendered prepetition, (b) determining that adequate assurance of payment for postpetition utility services has been furnished to the Utility Companies providing services to the Debtor, (c) authorizing Gap Period payments made to certain Utility Companies, and (c) establishing procedures for resolving future requests by any Utility Company for additional adequate assurance of payment.

63. In conjunction with its day-to-day operations, the Debtor receives traditional utility services from approximately eight (8) Utility Companies at the Debtor’s various locations, including at its corporate headquarters in Tyler, Texas. The Utility Companies primarily consist of telephone, and electricity providers.⁷ On average, in the twelve (12) months prior to the Petition Date, the Debtor incurred monthly expenses for Utility Services totaling approximately \$21,328.22. Such expenses were generally timely paid. The Debtor has continued to pay Utility Companies through and including the Voluntary Petition Date. During the Gap Period, the Debtor has made payments to certain Utility Companies in the ordinary course of business.

64. The Debtor has listed its utility providers on **Exhibit A** attached to the Utility Motion. These services are necessary for the continued operation of the Debtor’s day-to-day affairs. Uninterrupted utility service is critical to the Debtor’s business operations, and the loss of

⁷ Water services for the Debtor’s corporate office are included in its rent payments and, accordingly, are not addressed herein.

utility service would substantially disrupt the Debtor's operations and result in revenue loss, which could irreparably harm and jeopardize the Debtor's operations and strategic objectives of all parties of interest.

65. I believe that the proposed Adequate Assurance Deposits listed on **Exhibit A** to the Utility Motion, which are calculated based on one-half of the approximation of one (1) month's worth of utility service as calculated by the Debtor according to the last historical twelve (12) month period, are sufficient adequate assurance of the Debtor for future payments to the utility providers.

66. I believe and am advised that the requested relief is necessary or else the Debtor could be forced to address numerous requests by the Utility Providers in a disorganized manner during the critical first few weeks of this Bankruptcy Case. Moreover, a termination of (or disruption in) Utility Services could significantly disrupt the Debtor's business operations, thereby jeopardizing the Debtor's chances to maximize recoveries for creditors. It is, therefore, critical that Utility Services continue uninterrupted during the Bankruptcy Case.

67. Accordingly, for the reasons set forth herein and in the Utilities Motion, on behalf of the Debtor, I respectfully submit that the relief requested in the Utilities Motion is in the best interests of the Debtor's estate, its creditors, and all other parties in interest, and will enable the Debtor to continue to operate its business during the course of this Bankruptcy Case with minimal disruption.

F. Emergency Motion for Entry of an Order Authorizing, but not Directing, Payment of Prepetition Taxes and Fees (the "Taxes Motion").

68. By the Taxes Motion, the Debtor seeks authority to (a) pay all prepetition Property Taxes that have accrued prior to the Involuntary Petition Date and during the Gap Period in the ordinary course on a postpetition basis, (b) pay any such obligations related to the Severance Taxes

that have accrued prior to the Involuntary Petition Date and during the Gap Period in the ordinary course on a postpetition basis, (c) honor and pay such outstanding prepetition Regulatory Assessments and any such obligations that accrued during the Gap Period and to continue paying any such obligations in the ordinary course of business on a postpetition basis

69. In the ordinary course of business, the Debtor accrues and pays tax and fee obligations consisting of franchise taxes, property taxes, severance taxes, and miscellaneous taxes and fees for which the Debtor's directors and officers may be liable or which may not constitute property of the Debtor's estate and any other types of taxes, fees, assessments, or similar charges and any penalty, interest, or similar charges in respect of such taxes and fees (collectively, the "**Taxes and Fees**") owing to certain federal, state, and local governmental entities listed on **Exhibit A** attached to the Taxes Motion (the "**Taxing Authorities**").

70. The Debtor is required to pay property occupancy taxes, real estate taxes, and other property taxes levied against the Debtor's real and personal property (the "**Property Taxes**"). As of the Involuntary Petition Date, the Debtor has accrued approximately \$200,000 in Property Taxes that becomes due in January 2025.

71. Texas imposes monthly severance taxes, which are taxes on "severing" natural resources, such as oil and gas, from the land or waters within such jurisdiction (collectively, the "**Severance Taxes**"). These taxes are deducted by the first purchaser and remitted to the state of Texas. However, for the Natural Gas Liquids that is now being produced as part of the Hidden Rock Field, the Debtor remits that Severance Tax to the state. The Debtor estimates that prior to the Involuntary Petition Date and through the Gap Period, the Debtor accrued \$14,875.85 in Severance Taxes. Accordingly, the Debtor seeks authority to continue paying any such obligations in the ordinary course of business on a postpetition basis.

72. In the ordinary course of business, the Debtor incurs certain regulatory franchise taxes and other miscellaneous fees (collectively, “**Regulatory Assessments**”). The continued payment of Regulatory Assessments are crucial to the continued operation of the Debtor’s business. Further, payment of Regulatory Assessments is required under law and non-compliance would be a violation of statutes. The Debtor paid approximately \$14,700 in Regulatory Assessments in the year 2023.

73. Based on my review and subject to my ongoing investigation, it is estimated that the Debtor will accrue liabilities, which are not yet due, in the approximate amount of \$229,575.85 on account of Taxes and Fees. In some instances, such Taxes and Fees are given certain priority under the Bankruptcy Code and non-payment can result in the imposition of additional obligations.

74. For the foregoing reasons, I believe that it is in the best interests of the Debtor, its estate and creditors, and all other parties in interest that the Court grant the relief requested in the Taxes Motion.