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

In re:	§	**Chapter 11**
SABLE PERMIAN RESOURCES, LLC, *et al.*,	§	**Case No. 20-33193 (MI)**
Debtors.[1]	§	**(Jointly Administered)**

DECLARATION OF ANTHONY C. DUENNER,
VICE PRESIDENT, CORPORATE DEVELOPMENT OF THE DEBTORS,
IN SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS

I, Anthony C. Duenner, hereby declare under penalty of perjury:

1. I am the Vice President, Corporate Development of the above-captioned debtors and debtors in possession (collectively, the "Debtors"). I have served in this capacity for the Debtors since February 2018. I joined the Debtors and their affiliates in May 2017, serving as Vice President, Acquisitions & Divestments, until I took on my current role. I have over 30 years of experience in the global energy sector, specializing in finance, acquisitions, investments, joint ventures, and operations.

2. As the Debtors' Vice President, Corporate Development, my duties include, or have included, among other things: (a) assisting the board of managers of Sable Permian Resources, LLC ("SPR") and the Debtors' management team in the development of a business plan; (b) providing assistance in the analysis and/or development of projections for the Debtors; and (c) assisting the Debtors' professionals in preparing for a bankruptcy filing. Accordingly, I am

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Sable Permian Resources, LLC (5172); SPR Stock Holdings, LLC (2065); Sable Permian Resources Operating, LLC (3212); SPR Holdings, LLC (3611); SPRH Finance Corporation (1390); Sable Permian Resources Corporation (9049); Sable Permian Resources Finance, LLC (6841); SPR Finance Corporation (0359); and Sable Land Company, LLC (7101). The location of the Debtors' main corporate headquarters and the Debtors' service address is: 700 Milam Street, Suite 3100, Houston, TX 77002.

generally familiar with the Debtors' day-to-day operations, business and financial affairs, and books and records.

3. Concurrently with the filing of this declaration (the "Declaration") on the date hereof (the "Petition Date"), the Debtors have filed in this Court (the "Bankruptcy Court") voluntary petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (as amended and modified, the "Bankruptcy Code").

4. I submit this Declaration to assist the Bankruptcy Court and parties in interest in understanding the circumstances that compelled the commencement of these chapter 11 cases (the "Chapter 11 Cases") and in support of (a) the petitions for relief under chapter 11 of the Bankruptcy Code and (b) the emergency and other relief that the Debtors have requested from the Bankruptcy Court pursuant to the motions and applications described herein (collectively, the "First Day Motions").

5. Except as otherwise indicated, all facts set forth in this Declaration are based upon my personal knowledge; my discussions with, and information supplied by, other members of the Debtors' management team and advisors (including legal counsel); my review of relevant documents and information concerning the Debtors' operations, financial affairs, and restructuring initiatives; or my opinions based upon my experience and knowledge. If called as a witness, I could and would testify competently to the facts set forth in this Declaration. I am over the age of 18 and am authorized to submit this Declaration on behalf of the Debtors.

6. The introduction to this Declaration provides an overview of the Debtors' business and capital structure and the reasons for the Debtors' bankruptcy filing and need for the relief requested in the First Day Motions. Part I provides an overview of the Debtors' business and organizational structure. Part II provides an overview of the Debtors' capital structure. Part III

provides an overview of the circumstances leading to the commencement of these Chapter 11 Cases, and Part IV and **Exhibit A** summarize the First Day Motions and the bases for the relief sought therein.

INTRODUCTION

7. The Debtors are an oil and natural gas company focused on the acquisition, exploration, development, and production of unconventional oil, natural gas, and natural gas liquid reserves in the Permian Basin of West Texas. Their operations are focused on oil and gas development in the Wolfcamp Shale play in the southern Midland Basin area within the Permian Basin. The Wolfcamp Shale underlying the Debtors' acreage position contains substantial recoverable oil and natural gas reserves, which the Debtors believe exhibit repeatable, long-lived production profiles.

8. The Debtors hold oil and gas leases comprising approximately 127,600 net acres. The Debtors directly operate approximately 97% of their net acreage. The remaining 3% net acreage is either (a) not currently operated by the Debtors or (b) subject to overriding royalty interests of the Debtors.

9. During 2016 and 2017, the Debtors faced adverse market and liquidity conditions. As a result of these conditions and the resulting impact on cash flows, the Debtors actively pursued various transactions designed to optimize their liquidity position and balance sheet. As a result of these efforts, in May 2017, the Debtors executed a series of transactions with funds managed by affiliates of The Energy & Minerals Group, OnyxPoint Global Management LP, and Sable Management, L.P. (collectively, the "Sponsors"), as well as other investors, which provided substantial capital funding and equitized significant debt. Despite the benefit provided by those transactions, liquidity challenges, continued depressed commodity prices, and the capital-intensive nature of their businesses required the Debtors to renew their restructuring efforts, and accordingly,

in early 2019, the Debtors engaged with their various creditor constituencies regarding the terms of a further restructuring.

10. After many months of hard-fought, arm's-length negotiations, on August 29, 2019, the Debtors, the Sponsors, and substantially all of the Debtors' debtholders agreed on the terms of a comprehensive restructuring of the Debtors and their obligations (the "2019 Restructuring Agreement," and such restructuring, the "2019 Restructuring"). Pursuant to such agreement, among other things, (a) the bondholders of Sable Permian Resources Finance, LLC ("SPR Finance") agreed to tender their notes in an exchange and tender offer (the "Exchange Offer") in return for, if the Exchange Offer were successful, cash payments and warrants to purchase common units of SPR Finance,[2] (b) SPR agreed to contribute to SPR Finance all of its oil and gas assets and a $375 million equity contribution by certain of the Sponsors as part of the 2019 Restructuring, (c) SPR Finance, in turn, agreed to subsequently contribute all of its oil and gas assets (including the prior contribution from SPR) to Sable Land Company, LLC ("Sable Land"), and (d) all the outstanding redeemable preferred units of SPR Finance (the "Preferred Units") were canceled. This contribution to Sable Land facilitated its entry into a new $700 million revolving credit facility (the "Sable Land RBL") with J.P. Morgan Chase Bank, N.A., as administrative agent (in such capacity, "J.P. Morgan"), which was intended to provide Sable Land with the necessary working capital to, among other things, further develop the acreage owned by and contributed to it. SPR Finance also concurrently issued new first lien notes for cash to certain purchasers, with the proceeds to be used to partially fund the cash purchase of outstanding notes in the Exchange Offer.

[2] For the Exchange Offer to succeed, SPR Finance and SPR FinCo needed to obtain participation from 95% of each series of their notes, which was ultimately achieved. Had such participation not been achieved, the 2019 Restructuring Agreement also contemplated the filing of bankruptcy cases by certain of the Debtors, which would have allowed the 2019 Restructuring to be achieved on substantially the same terms.

11. The 2019 Restructuring closed successfully and commodity prices recovered slightly in the immediately following months. Thereafter, however, the Debtors began to experience liquidity challenges after commodity prices sharply declined as a result of (a) a demand shock as a result of ongoing efforts to contain the outbreak and spread of the COVID-19 virus and (b) a dispute between Russia and the Organization of the Petroleum Exporting Countries, led by Saudi Arabia, regarding reductions to crude oil production levels in the face of an unprecedented fall in demand caused by the COVID-19 pandemic. Due to the decline in oil and gas prices, J.P. Morgan informed the Debtors that it would be reducing the borrowing base under the Sable Land RBL from $700 million to $415 million, resulting in a borrowing base deficiency under the Sable Land RBL of approximately $175 million and an obligation of Sable Land to pay approximately $29.17 million per month for six months until such deficiency is paid in full. In addition, this year, the Debtors face note interest payments of approximately $83.7 million and note maturities of $27 million.

12. Due to their quickly declining financial liquidity positions and upcoming debt payments, the Debtors were left with no viable option other than to commence these Chapter 11 Cases.

I. Business Overview

A. The Debtors' Corporate Structure and History

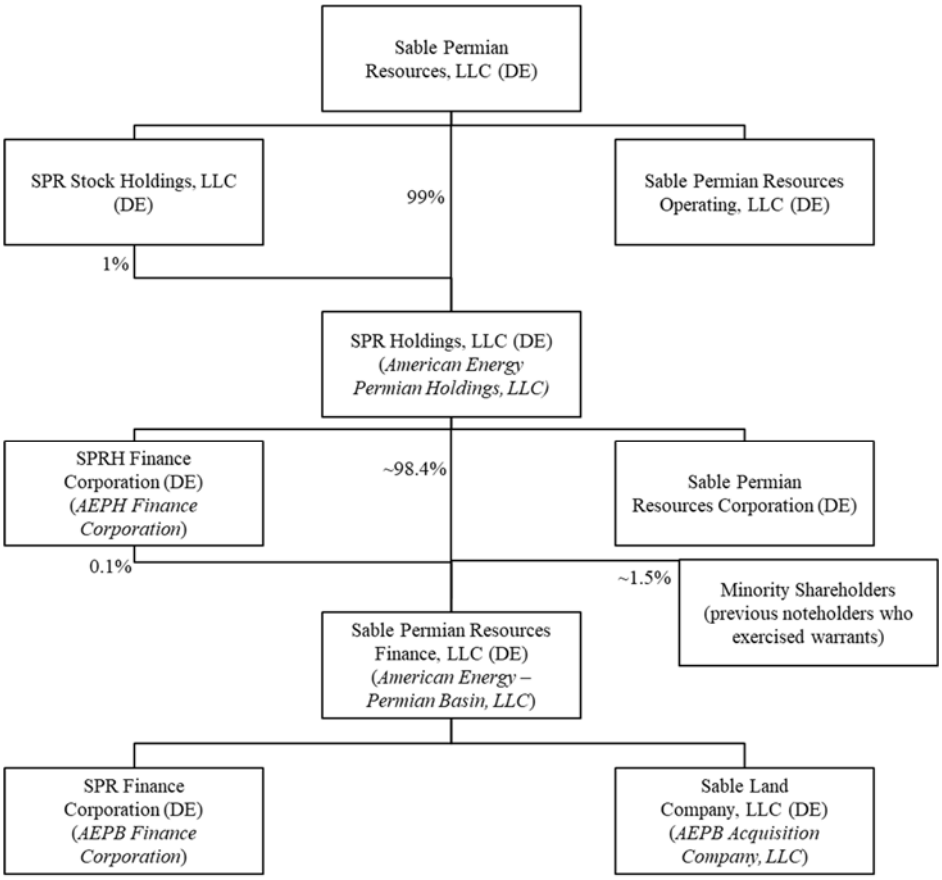
13. SPR was formed on October 8, 2014, as a Delaware limited liability company. Debtors SPR Stock Holdings, LLC ("SPR Stock Holdings") and Sable Permian Resources Operating, LLC ("SPR OpCo") are wholly-owned subsidiaries of SPR, and Debtor SPR Holdings, LLC ("SPR Holdings") is a 99%-owned subsidiary of SPR, with the remaining 1% owned by SPR Stock Holdings. Debtors SPRH Finance Corporation ("SPRH FinCo") and Sable Permian Resources Corporation are wholly-owned subsidiaries of SPR Holdings, and Debtor SPR Finance

is a 98.4%-owned subsidiary of SPR Holdings, with 0.1% owned by SPRH FinCo.[3] Debtors SPR Finance Corporation ("SPR FinCo") and Sable Land are wholly-owned subsidiaries of SPR Finance.

14. Except with respect to SPR, SPR Finance, and Sable Land, the Debtors are governed by their equity holders. SPR, SPR Finance, and Sable Land are each governed by a board of managers that consists of: James Flores, Jeffrey Ball, Shaia Hosseinzadeh, John Raymond, Neal Shear, Laura Tyson, John Vaske, Richard Alario (solely as a manager of SPR Finance), Peter Kravitz (solely as a manager of SPR Finance), and Robert Reeves (solely as a manager of Sable Land). Messrs. Alario, Kravitz, and Reeves serve as independent managers on their respective boards (the "Independent Managers").

15. The Debtors' organizational chart is shown directly below, with the former names of certain entities listed below their current names.

[3] Prior to the Petition Date, warrant holders exercised warrants for approximately 1.5% of SPR Finance's outstanding common units.



16. Prior to May 1, 2017, the Debtors were principally owned indirectly by affiliates of The Energy & Minerals Group and First Reserve Corporation. On May 1, 2017, the Debtors underwent a series of consensual and transformational restructuring transactions (collectively, the "2017 Transaction"), through which SPR became indirectly owned in principal part by the Sponsors or by funds managed by affiliates of the Sponsors. The 2017 Transaction (a) provided SPR Finance with $795.3 million of capital funding from the Sponsors, (b) exchanged approximately $325.0 million of principal amount of SPR Finance's secured and unsecured debt for equity, and (c) canceled approximately $207.1 million of principal amount of the Preferred Units, along with $42.2 million of accumulated distributions on the Preferred Units. In connection with the 2017 Transaction, the Debtors and their affiliates appointed a new senior management team and relocated their headquarters from Oklahoma City, Oklahoma to Houston, Texas.

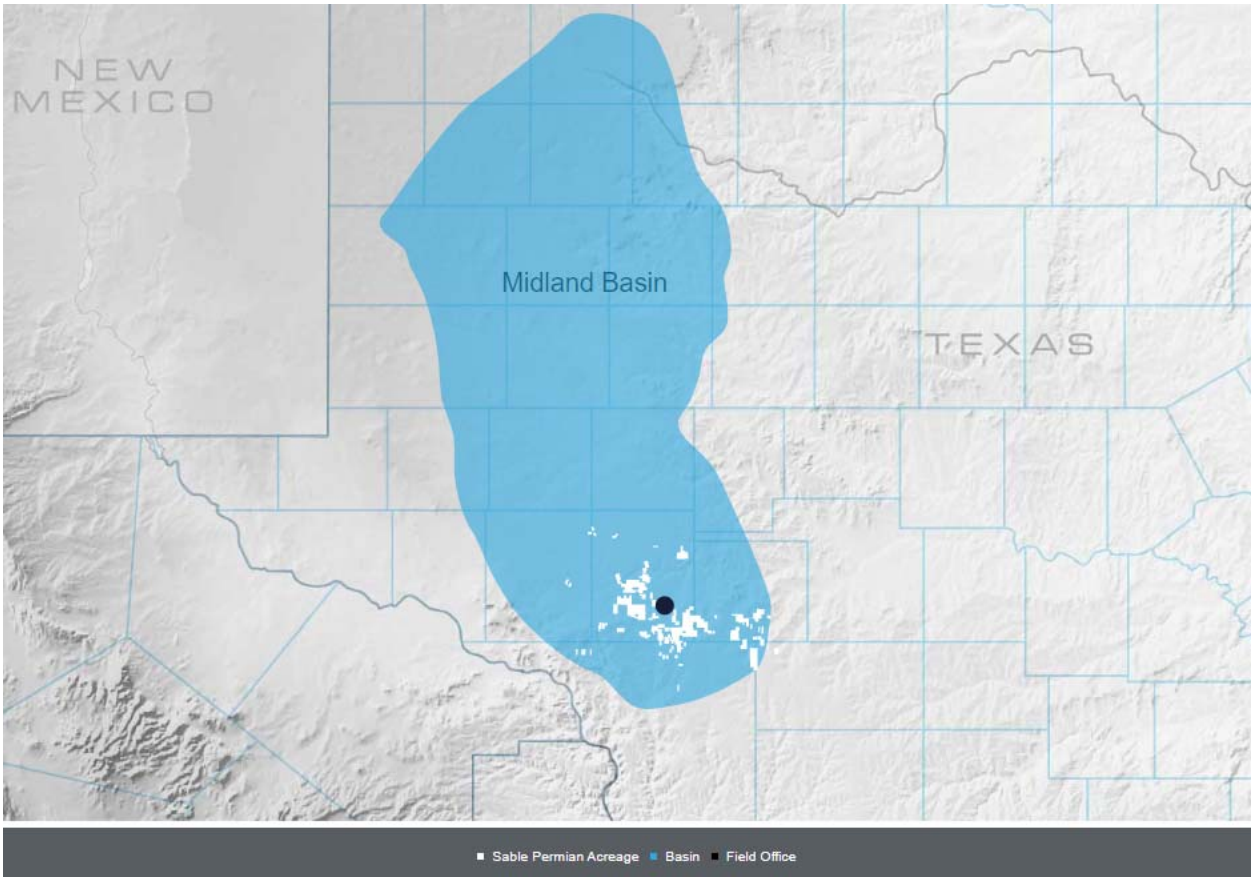
17. In October 2019, and as part of the 2019 Restructuring, SPR contributed $375 million of cash (that had been contributed by certain of the Sponsors) and all of its oil and gas assets to SPR Finance, which cash was then used to pay down SPR's revolving credit facility and make payments contemplated by the 2019 Restructuring Agreement, including those pursuant to the Exchange Offer. In addition, SPR Finance contributed all of its oil and gas assets, along with those contributed by SPR, to Sable Land. As a result of consummation of the 2019 Restructuring, Sable Land now owns and holds all oil and gas assets of the Debtors.

B. The Debtors' Business

18. The Debtors operate in the "upstream" sector of the oil and gas industry. More specifically, Sable Land owns oil and gas leases and working interests, which SPR and SPR OpCo operate pursuant to a joint operating agreement (solely with respect to SPR) and a management services agreement, in order to explore and extract oil, natural gas, and natural gas liquids ("NGLs"). Debtor SPR Stock Holding's assets consist solely of equity interests in SPR Holdings. Debtor SPR Holdings' assets consist solely of equity interests in SPRH FinCo, SPR Finance, and Sable Permian Resources Corporation. Debtor SPRH FinCo's assets consist solely of equity interests in SPR Finance. Debtors SPR FinCo and Sable Permian Resources Corporation are non-operating shell companies with no assets or operations. Debtor SPR Finance's assets consist solely of equity interests in SPR FinCo and Sable Land and approximately $6 million in cash.

19. A majority of Sable Land's net acreage position overlays some of the thickest deposits of the prolific Wolfcamp Shale play within what the Debtors believe to be the core of the southern Midland Basin, primarily in Reagan County and Irion County, Texas. Sable Land is developing seven distinct horizontal Wolfcamp Shale intervals under its acreage, and believes additional intervals may be developed in the future, as oil and gas development technology and

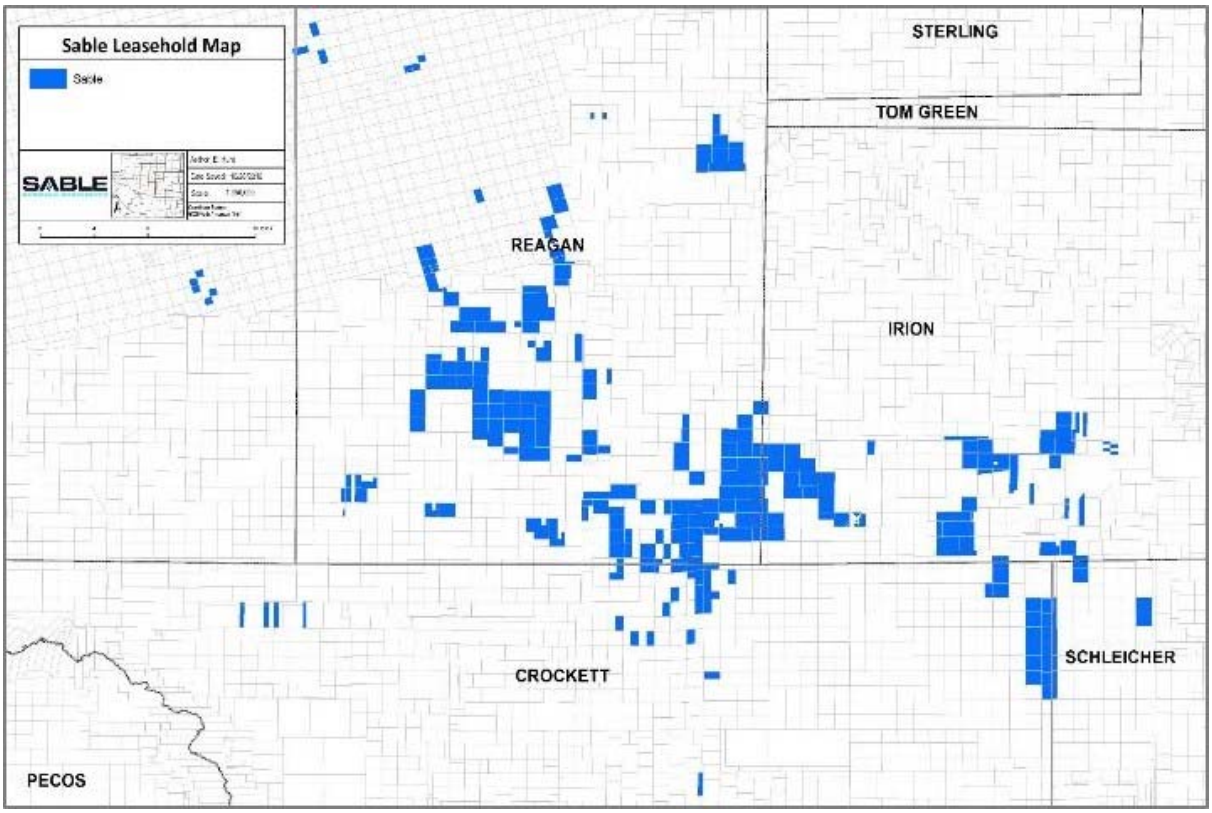
commodity prices continue to improve. A map of the Debtors' acreage within the Midland Basin is shown below.



20. Approximately 97% of Sable Land's nearly 127,600 net acres are operated by SPR, and approximately 98% of its acreage is held by production ("HBP"), meaning that Sable Land's leases will continue so long as operations produce the requisite amount of oil, gas, or NGLs. HBP acreage affords the lessee flexibility to manage a development program in an efficient and cost-effective manner because the lessee (in most cases) will not be required to drill additional wells to prevent the leases governing such acreage from terminating at the end of the primary term. Sable Land holds an average of 86% of the working interests in its leases, meaning that, on an average basis, other third-party working interest holders are obligated to contribute 14% of the costs of

operating and developing the minerals deriving from those leases. Sable Land had average daily net production volume of 51.6 mboe from its leases in the first quarter of 2020.

21. Sable Land's leasehold is substantially contiguous, which allows for drilling of longer laterals. The below graphic illustrates Sable Land's holdings.



22. The Debtors believe that focusing operations on a large contiguous acreage position allows them to benefit from economies of scale that decrease operating costs. The Debtors and their predecessors have invested substantially into infrastructure on Sable Land's leasehold, including centralized production facilities, water supply wells, saltwater disposal wells, tank batteries, frac ponds, and other infrastructure. The Debtors believe the existing infrastructure supports improved price realizations, facilitates operating efficiencies, and reduces costs. The existing infrastructure also supports significant production growth from assets and was constructed to support greater volumes than are currently being produced. The Debtors believe that this

infrastructure is primed to support full scale development and increased throughput capacity. Further, the stacked nature of the intervals the Debtors are developing increases their net effective acreage and reserve holdings without increasing the surface area of that acreage. This also provides numerous logistical benefits, including shorter drilling cycle times from multi-well pads that minimize downtime between wells, and shared facilities and gathering and transportation infrastructure that reduces operating costs.

23. The main impediment to the Debtors fully developing their assets has been a lack of liquidity. As of the Petition Date, the Debtors' unrestricted cash on hand is less than $48 million. The primary uses of the Debtors' cash have been to finance the operating business, service indebtedness, fund capital expenditures, and pay the professional fees required by its restructuring efforts (including those incurred by certain creditor parties in connection with the 2019 Restructuring).

24. The Debtors' revenue is exposed to the prevailing market prices of oil, natural gas, and natural gas liquids, all of which have experienced significant price volatility over recent years. To minimize the risk to their business operations caused by such volatility, the Debtors—like many of their industry peers—historically have entered into financial derivative contracts with various counterparties to hedge their exposure to commodity price risk. By removing some measure of price volatility associated with production, the Debtors' hedge portfolio helped mitigate the effects of sustained volatility in commodity prices. Although the Debtors' primary counterparty within their hedge portfolio has historically been J.P. Morgan, the Debtors do not currently have any outstanding hedge contracts.

II. The Debtors' Capital Structure

25. As of the Petition Date, the Debtors have approximately $575 million in revolving obligations and approximately $744 million in other long-term debt obligations, consisting of a

series of first lien notes and two series of senior unsecured notes (all three series collectively, the "Existing Notes"). The Existing Notes were issued by Debtors SPR Finance and SPR FinCo and are not guaranteed by any of their affiliates. The following table illustrates the Debtors' prepetition debt obligations:

Revolving Obligations	**Outstanding Principal**	**Obligor**	**Collateral**
Amended and Restated Credit Agreement	$574,910,140	Sable Land	First-priority liens on substantially all assets of Sable Land
Long-Term Debt Obligations	**Outstanding Principal**	**Obligors**	**Collateral**
12.000% senior secured first lien notes due 2024	$707,667,000	SPR Finance; SPR FinCo	First-priority liens on substantially all assets of SPR Finance and SPR FinCo (including equity of SPR FinCo and Sable Land)
7.125% senior notes due 2020	$27,075,000	SPR Finance; SPR FinCo	N/A
7.375% senior notes due 2021	$9,038,000	SPR Finance; SPR FinCo	N/A
Other Obligations	**Approximate Amount**	**Obligors**	**Collateral**
Other Obligations (trade, employees, etc.)	~$65,000,000	SPR OpCo (employee obligations); SPR (all other obligations)	Certain of the trade debt is secured by liens on certain of the Debtors' wells

A. Revolving Credit Facility

26. The Debtors have approximately $575 million in outstanding principal amount of obligations under the *Amended and Restated Credit Agreement*, dated as of October 16, 2019, by and among Sable Land, as borrower, J.P. Morgan, as administrative agent, and the lenders party thereto (the "Credit Agreement," and such lenders, together with J.P. Morgan, as administrative

agent, the "RBL Parties"). The initial borrowing base under the Credit Agreement was $700 million, but as noted above, in March 2020, J.P. Morgan informed the Debtors that it would be reducing the borrowing base under the Sable Land RBL to $415 million, resulting in a borrowing base deficiency. The obligations under the Credit Agreement mature on the earlier of October 16, 2024 and 91 days prior to the earliest maturity of SPR Finance's Indebtedness (as defined in the Credit Agreement), excluding existing notes if the outstanding principal amount is less than $210 million. The obligations under the Credit Agreement are secured by first-priority liens on substantially all assets of Sable Land, which consists of all of the Debtors' oil and gas assets and most of the Debtors' cash.

B. Unitranche Notes

27. The Debtors have approximately $707.7 million in outstanding principal amount of 12.000% senior secured first lien notes due 2024 (the "Unitranche Notes"), issued by SPR Finance and SPR FinCo under an indenture, dated as of October 17, 2019, by and among SPR Finance, SPR FinCo, and Wilmington Trust, National Association ("Wilmington Trust"), as trustee and collateral trustee. The Unitranche Notes mature in 2024 and require semiannual coupon payments at an interest rate of 12% per year. The Unitranche Notes are secured by first-priority liens on substantially all assets of SPR Finance and SPR FinCo, which consist of SPR Finance's 100% membership interests in Sable Land and certain deposit accounts.

C. 2020 Unsecured Notes

28. The Debtors have approximately $27 million in outstanding principal amount of 7.125% senior notes due 2020 (the "2020 Unsecured Notes"), issued by SPR Finance and SPR FinCo under the indenture, dated as of July 31, 2014 (the "Unsecured Notes Indenture") by and among SPR Finance, SPR FinCo, and Wilmington Trust, as trustee. The 2020 Unsecured Notes mature in 2020 and require semiannual coupon payments at an interest rate of 7.125% per year.

D. 2021 Unsecured Notes

29. The Debtors have approximately $9 million in outstanding principal amount of 7.375% senior notes due 2021 (the "2021 Unsecured Notes"), issued by SPR Finance and SPR FinCo under the Unsecured Notes Indenture. The 2021 Unsecured Notes mature in 2021 and require semiannual coupon payments at an interest rate of 7.375% per year. The 2021 Unsecured Notes are of equal priority of payment to the 2020 Unsecured Notes.

E. Operating Debt and Similar Obligations

30. The Debtors estimate that, as of the Petition Date, their total outstanding obligations due and owing to third party vendors, suppliers, and other general unsecured creditors are approximately $65 million.

III. Circumstances Leading to the Commencement of the Chapter 11 Cases

A. Challenges Facing the Debtors' Business

31. As a general matter, oil and natural gas prices have declined substantially since 2014. In particular, in the first quarter of 2020, after the 2019 Restructuring, oil and natural gas prices have fallen to among their lowest point in decades. This sustained market decline has had a severe and adverse effect on the Debtors' financial performance given that the primary driver of their financial results is oil and gas pricing.

32. As a result of these market challenges, as well as continued liquidity pressure from interest payments totaling approximately $83.7 million this year on account of the Existing Notes, the Debtors will not have liquidity to make payments on the Existing Notes and their other obligations. Exacerbating their financial condition, in March 2020, J.P. Morgan informed the Debtors that it would be reducing the borrowing base under the Sable Land RBL to $415 million, resulting in a borrowing base deficiency under the Sable Land RBL of approximately $175 million and an obligation of Sable Land to pay approximately $29.17 million per month for six months

until such deficiency is paid in full. Combined with the other financial and operational challenges described herein, this borrowing base redetermination further strained the Debtors' liquidity, and it became clear to the Debtors that a restructuring of their obligations would be necessary for the Debtors to operate in the ordinary course of business.

B. Prior Restructuring Efforts

33. The Debtors' current management team has focused on reducing operating costs since joining the Debtors as part of the 2017 Transaction. These efforts include implementing more modern well-completion techniques to enhance well performance, more efficient well-spacing designs, and the use of zipper fracs to minimize child-parent well interference and optimize estimated production. Further, the internal corporate reconfiguration described above enabled the Debtors to better manage cash, in light of SPR Finance's liquidity constraints. These operational restructuring steps, while helpful, have not fully resolved the Debtors' financial challenges.

34. In early 2018, SPR retained Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC to analyze refinancing and liability management options. At that time, the Debtors had outstanding approximately $2.105 billion in funded debt obligations consisting of (a) 13.000% Senior Secured First Lien Notes due 2020 (the "First Lien Notes"), (b) 8.000% Senior Secured Second Lien Notes due 2020 (the "Second Lien Notes"), (c) Floating Rate Senior Notes due 2019 (the "Floating Rate Notes"), (d) the 2021 Unsecured Notes, and (e) the 2020 Unsecured Notes (collectively, the "Prior Notes"). Recognizing their short-term liquidity concerns and imminent maturities, the Debtors began negotiations with four of the largest holders of the Prior Notes (the "Four Largest Prior Noteholders"). Although they made promising inroads on a global refinancing in early 2018, the Debtors and their affiliates were ultimately unable to come to final terms with the Four Largest Prior Noteholders at that time. Counsel for the Debtors and their affiliates and

for the Four Largest Prior Noteholders remained in intermittent contact throughout the succeeding months, and re-engaged in continuous negotiations in late 2018. Soon after, the Debtors and their affiliates also began negotiating with two large holders of the Floating Rate Notes (the "Two Large Floating Rate Noteholders"). These parallel negotiations sought to resolve the Debtors' then-immediate issue — the looming interest payments and maturities related to the Floating Rate Notes — as well as the Debtors' overall capital structure.

35. Negotiations with the Four Largest Prior Noteholders and the Two Large Floating Rate Noteholders, as well as additional holders of Prior Notes, continued through the summer of 2019. The parties explored numerous deal proposals and structures in order to address the Debtors' liquidity concerns and approaching maturities. In evaluating potential alternatives to address their looming interest and principal payments, the Debtors sought a path that would maximize value for all stakeholders.

36. These negotiations ultimately led to the 2019 Restructuring. The 2019 Restructuring resulted in: (a) the repurchase of all of the First Lien Notes, Second Lien Notes, and Floating Rate Notes for cash, (b) the repurchase of over 95% of the outstanding principal amount of the 2021 Unsecured Notes and 2020 Unsecured Notes, (c) the issuance of the Unitranche Notes to certain holders of the Prior Notes for cash, (d) the offering of warrants to purchase up to 8.5% of the common equity of SPR Finance, and (e) the cash equity contribution of $375 million by certain Sponsors. The 2019 Restructuring also resulted in the contribution to Sable Land of all of (a) SPR Finance's oil and gas leases and its interests in all of its oil and gas wells and (b) SPR's oil and gas leases and its interests in all of its oil and gas wells.

37. Although the Debtors had hoped to resolve their liquidity challenges through the 2019 Restructuring, the severe downturn in oil and natural gas prices in the first quarter of 2020

has constrained the ability to pay amounts due under the Credit Agreement and interest on the Existing Notes.

C. Exploration of Further Alternatives

38. The Debtors engaged Latham & Watkins LLP, as outside counsel, to provide professional restructuring and legal guidance; Evercore Group to provide restructuring investment banking services; Alvarez & Marsal North America, LLC to provide financial advisory services; Hunton Andrews Kurth, LLP as co-counsel to assist in the preparation and conduct of a potential chapter 11 proceeding; and Prime Clerk LLC to provide noticing and claims agent services in such a proceeding.

39. Although the Debtors instituted measures to preserve capital, including through the reduction of lease operating expenses and employment-related expenses through headcount reduction, it became increasingly clear that such measures alone would be insufficient to satisfy financial obligations under the Credit Agreement and the Existing Notes. In consultation with their advisors, the Debtors determined that a restructuring, whether in or out of court, was the best possible solution to preserve and maximize the Debtors' value for all stakeholders.

D. Maximizing Value; Ongoing Restructuring Discussions

40. Through their advisors, the Debtors engaged in discussions with the RBL Parties and an *ad hoc* group of holders of Unitranche Notes (the "Ad Hoc Group") regarding a restructuring. Following various discussions between all the parties, the RBL Parties and the Ad Hoc Group jointly delivered a proposed consensual restructuring term sheet to the Debtors and Sponsors. After evaluating such term sheet and after extensive discussions with their advisors, the Debtors and Sponsors determined that it was in the best interests of the Debtors to revise the term sheet and deliver a counteroffer to the RBL Parties and the Ad Hoc Group.

41. Thereafter, the Debtors' management and the Sponsors, through and with their respective advisors, worked to prepare a joint counterproposal. In the end, the Debtors' management and Sponsors finalized a joint counterproposal that was supported by the Debtors' management, the Sponsors, and the Independent Managers, which was delivered to the advisors to J.P. Morgan, as administrative agent, and the Ad Hoc Group. Although the RBL Parties and the Ad Hoc Group did not accept the counterproposal, they indicated that they are open to further negotiations within the context of a chapter 11 framework.

42. Accordingly, the Debtors' boards of managers unanimously authorized a bankruptcy filing with the intent and goal of continuing negotiations and maximizing value for the Debtors' stakeholders. To that end, the Debtors are immediately initiating a sale process, required by the RBL Parties, to test the market and maximize the value of the Debtors' assets. The sale process is open to all parties, and the Debtors will consider all proposals submitted, whether in the form of a section 363 sale or a chapter 11 plan. The Debtors' proposed postpetition financing facility contains various milestones related to the sale process, including (a) filing a motion seeking entry of a bidding procedures order no later than three days following the Petition Date, (b) obtaining approval of the bidding procedures order no later than 30 days following the Petition Date, (c) obtaining approval of the sale no later than 90 days following the Petition Date, and (d) consummating a sale no later than 105 days following the Petition Date.

43. Faced with imminent liquidity concerns, the Debtors commenced these cases to preserve much needed liquidity, prevent disruption to their operations, and provide an opportunity to pursue a "dual-track" strategy to maximize the value of these estates, pursuant to which the Debtors intend to continue discussions with stakeholders regarding a potential comprehensive

restructuring transaction while simultaneously pursuing a sale process for all or substantially all of the Debtors' assets.

IV. Relief Sought in the Debtors' First Day Motions

44. Contemporaneously herewith, the Debtors have filed numerous First Day Motions in these Chapter 11 Cases seeking orders granting various forms of relief intended to provide stability to the Debtors and facilitate their transition into chapter 11, as well as the efficient administration of these Chapter 11 Cases. The Debtors seek by the First Day Motions to, among other things, (a) ensure the continuation of their business operations and cash management system without interruption, and (b) prevent the potentially successful assertion of liens by vendors over the Debtors' assets or otherwise interrupt their operations, to the detriment of all stakeholders. The First Day Motions include the following:

I. Administrative Motions

A. Debtors' Emergency Motion for Entry of an Order Directing Joint Administration of Related Chapter 11 Cases (the "Joint Administration Motion")

B. Debtors' Emergency Motion for Entry of an Order Extending Time to File Schedules of Assets and Liabilities, Schedules of Current Income and Expenditures, Schedules of Executory Contracts and Unexpired Leases, and Statements of Financial Affairs (the "Schedules Extension Motion")

C. Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtors to File a Consolidated Creditor Matrix and List of the 30 Largest Unsecured Creditors, (II) Authorizing the Debtors to Redact Certain Personal Identification Information for Individual Creditors, and (III) Approving the Form and Manner of Notifying Creditors of the Commencement of these Chapter 11 Cases and Other Information (the "Consolidated Creditor List Motion")

D. Debtors' Emergency Application for Entry of an Order Authorizing the Debtors to Employ and Retain Prime Clerk LLC as Claims, Noticing, and Solicitation Agent (the "Claims Agent Application")

II. Operational Motions

A. Debtors' Emergency Motion for Entry of Interim and Final Orders Authorizing the Debtors to (I) Continue to Operate Their Cash Management System, (II) Honor Certain Prepetition Obligations Related Thereto, (III) Maintain Existing Business Forms, and (IV) Perform Intercompany Transactions (the "Cash Management Motion")

B. Debtors' Emergency Motion for Entry of an Order Authorizing the Payment of Certain Prepetition Taxes (the "Tax Motion")

C. Debtors' Emergency Motion for Entry of Order (I) Approving the Debtors' Proposed Adequate Assurance of Payment for Future Utility Services, (II) Prohibiting Utility Providers From Altering, Refusing, or Discontinuing Services, and (III) Approving the Debtors' Proposed Procedures for Resolving Additional Assurance Requests (the "Utilities Motion")

D. Debtors' Emergency Motion for Entry of an Order Authorizing the Debtors to (I) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (II) Continue Employee Benefit Programs (the "Wage Motion")

E. Debtors' Emergency Motion for Entry of an Order Authorizing the Debtors to Pay Mineral Payments and Working Interest Disbursements (the "Mineral Payments Motion")

F. Debtors' Emergency Motion for Entry of an Order (I) Authorizing Payment of Working Interest Costs, Joint Interest Billings, Marketing Expenses, and 503(b)(9) Claims and (II) Confirming Administrative Expense Priority Status Of Outstanding Orders (the "JIB Motion")

G. Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) Continue Their Insurance Coverage, (B) Pay All Insurance Obligations, (C) Maintain Their Surety Bonds, and (D) Pay All Bonding Obligations, and (II) Authorizing Financial Institutions to Honor and Process Related Checks and Transfers (the "Insurance Motion")

III. Financing Motion

H. Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Granting Adequate Protection to the Prepetition Secured Parties, (III) Authorizing the Use of Cash Collateral, (IV) Granting Liens and Superpriority Claims, (V) Modifying the Automatic Stay, and (VI) Scheduling a Final Hearing (the "DIP Motion")

45. I have read and understand each of the First Day Motions and the relief requested therein. Based on my review, and to the best of my knowledge and belief, the factual statements contained in each of the First Day Motions are true and accurate and each such factual statement is incorporated herein by reference. I believe that the relief requested in the First Day Motions is necessary, in the best interests of the Debtors' estate, their creditors, and all other parties in interest, and will allow the Debtors to operate with minimal disruption during the pendency of these Chapter 11 Cases. Failure to grant the relief requested in any of the First Day Motions may result in immediate and irreparable harm to the Debtors, their businesses, and their estates.

46. A description of the relief requested and the facts supporting each of the First Day Motions is attached hereto as **Exhibit A**, which is incorporated herein by reference**.** Accordingly, for the reasons set forth herein and in each respective First Day Motion, the Bankruptcy Court should grant the relief requested in each of the First Day Motions.

[*Remainder of Page Intentionally Left Blank*]

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

Dated: June 25, 2020
Houston, Texas

/s/ Anthony C. Duenner
Anthony C. Duenner
Vice President, Corporate Development

Exhibit A

Evidentiary Support for First Day Motions

Evidentiary Support for First Day Motions[1]

I. Administrative Motions

A. Debtors' Emergency Motion for Entry of an Order Directing Joint Administration of Related Chapter 11 Cases (the "Joint Administration Motion")

1. By the Joint Administration Motion, the Debtors seek entry of an order directing procedural consolidation and joint administration of the Debtors' chapter 11 cases. I believe joint administration of these chapter 11 cases will provide significant administrative convenience without harming the substantive rights of any party in interest. Many of the motions, hearings, and orders in these chapter 11 cases will affect each Debtor entity. The entry of an order directing joint administration of these chapter 11 cases will reduce fees and costs by avoiding duplicative filings and objections. On behalf of the Debtors, I respectfully submit that the Joint Administration Motion should be granted and that failure to do so on an emergency basis would severely disrupt the Debtors' operations at this critical juncture.

B. Debtors' Emergency Motion for Entry of an Order Extending Time to File Schedules of Assets and Liabilities, Schedules of Current Income and Expenditures, Schedules of Executory Contracts and Unexpired Leases, and Statements of Financial Affairs (the "Schedules Extension Motion")

2. By the Schedules Extension Motion, the Debtors seek entry of an order granting the Debtors an additional 30 days, without prejudice to the Debtors' ability to request additional extensions, to file their Schedules and Statements. To prepare their Schedules and Statements, the Debtors will have to compile information from books, records, and documents relating to thousands of claims, assets, and contracts. The collection of the necessary information will require a significant expenditure of time and effort on the part of the Debtors and their employees. Additionally, the Debtors may lack access to certain information necessary to complete the

[1] Capitalized terms used but not defined herein have the meanings given to them in the applicable First Day Motion.

Schedules and Statements because invoices related to prepetition expenditures have not yet been received and entered into the Debtors' accounting system, among other reasons.

3. Given the size and complexity of the Debtors' business and financial affairs and the critical matters that the Debtors' management and professionals were required to address prior to the commencement of these chapter 11 cases, the Debtors were not in a position to complete the Schedules and Statements as of the Petition Date. Rather, in the days leading up to the Petition Date, the Debtors' primary focus has been negotiating with creditors and preparing for these chapter 11 cases to ensure a smooth transition into chapter 11, thereby maximizing value for their estates, their creditors, and other parties in interest. Moreover, I believe an extension will not harm creditors or other parties in interest because, even under the extended deadline, the Debtors will file the Schedules and Statements in advance of any deadline for filing proofs of claim in these chapter 11 cases. On behalf of the Debtors, I respectfully submit that the Schedules Extension Motion should be granted and that failure to do so on an emergency basis would severely disrupt the Debtors' operations at this critical juncture.

C. Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtors to File a Consolidated Creditor Matrix and List of the 30 Largest Unsecured Creditors, (II) Authorizing the Debtors to Redact Certain Personal Identification Information for Individual Creditors, and (III) Approving the Form and Manner of Notifying Creditors of the Commencement of these Chapter 11 Cases and Other Information (the "Consolidated Creditor List Motion")

4. By the Consolidated Creditor List Motion, the Debtors seek entry of an order (a) authorizing the Debtors to file a consolidated creditor matrix and list of the 30 largest general unsecured creditors in lieu of submitting separate mailing matrices and creditor lists for each Debtor, (b) authorizing the Debtors to redact certain personal identification information for individual creditors; and (c) approving the form and manner of notice of commencement of these

chapter 11 cases and the scheduling of the meeting of creditors under section 341 of the Bankruptcy Code.

5. The preparation of separate lists of creditors for each Debtor would be expensive and unduly burdensome, and a large number of creditors may be shared among the Debtors. I believe that address information of individual creditors—many of whom are employees of the Debtors—on the Creditor Matrix could be used to perpetrate identity theft. I believe that service of the single Notice of Commencement (rather than notice by each Debtor) on the Creditor Matrix will not only avoid confusion among creditors, but will prevent the Debtors' estates from incurring unnecessary costs associated with serving multiple notices to the parties listed on the Debtors' extensive Creditor Matrix. On behalf of the Debtors, I respectfully submit that the Consolidated Creditor List Motion should be granted and that failure to do so on an emergency basis would severely disrupt the Debtors' operations at this critical juncture.

D. Debtors' Emergency Application for Entry of an Order Authorizing the Debtors to Employ and Retain Prime Clerk LLC as Claims, Noticing, and Solicitation Agent (the "Claims Agent Application")

6. By the Claims Agent Application, the Debtors seek entry of an order appointing Prime Clerk LLC ("Prime Clerk") as claims, noticing, and solicitation agent in the Debtors' chapter 11 cases pursuant to the Engagement Agreement attached thereto. Based on all engagement proposals obtained and reviewed, I believe Prime Clerk's rates are competitive and reasonable given Prime Clerk's quality of services and expertise. The Debtors anticipate that there will be thousands of parties to be noticed, and that many of these parties will file claims. In view of the number of anticipated notice parties and the complexity of the Debtors' businesses, I believe a claims and noticing agent will provide the most effective and efficient means of, and relieve the Debtors and/or the Office of the Clerk of the Bankruptcy Court of the administrative burden of, noticing, administering claims, and soliciting and tabulating votes. On behalf of the

Debtors, I respectfully submit that the Claims Agent Application should be granted and that failure to do so on an emergency basis would severely disrupt the Debtors' operations at this critical juncture.

II. Operational Motions

E. Debtors' Emergency Motion for Entry of Interim and Final Orders Authorizing the Debtors to (I) Continue to Operate Their Cash Management System, (II) Honor Certain Prepetition Obligations Related Thereto, (III) Maintain Existing Business Forms, and (IV) Perform Intercompany Transactions (the "Cash Management Motion")

7. By the Cash Management Motion, the Debtors seek entry of an order authorizing the Debtors to continue to operate their Cash Management System (as defined below); authorizing the Debtors to pay any prepetition or postpetition amounts outstanding on account of the Bank Fees (as defined below); authorizing the Debtors to maintain existing Business Forms in the ordinary course of business; and authorizing the Debtors to continue to perform the Intercompany Transactions (as defined below) consistent with historical practice.

Cash Management System and Bank Accounts

8. In the ordinary course of business, the Debtors maintain an integrated, centralized cash management system (the "Cash Management System"). The Cash Management System is composed of twelve Debtor-owned and controlled bank accounts and one Debtor-owned and non-controlled bank account (each a "Bank Account," and collectively, the "Bank Accounts") with the following banking institutions (collectively, the "Cash Management Banks"):

- Ten Bank Accounts maintained at Wells Fargo Bank, N.A.; and
- Three Bank Accounts maintained at Wells Fargo Securities LLC.

9. All but three of the Bank Accounts are maintained at Wells Fargo, which is designated as an authorized depository by the Office of the United States Trustee for the Southern

District of Texas, Houston Division (the "U.S. Trustee"), pursuant to the *Region 7 Guidelines for Debtors-in-Possession* (the "U.S. Trustee Guidelines").

10. As of the Petition Date, the Debtors have approximately $47,119,627 in cash on hand.[2] The Bank Accounts are further described in the following table:

Bank Account	Account Description
Main Concentration Account **Wells Fargo** Sable Permian Resources, LLC (6148)	The Debtors maintain a concentration account at Wells Fargo (the "Concentration Account"), which serves as the Debtors' centralized operating account for the Cash Management System and provides funding for the other Bank Accounts. The Concentration Account disburses funds to Bank Accounts throughout the Cash Management System, at the Debtors' discretion, as needed, and receives revenue deposits on account of certain of the Debtors' interests. Interest and other debt payments are made directly from the Concentration Account. As of the Petition Date, the Concentration Account held a net balance of approximately $5,411,112.
Operating Accounts **Wells Fargo** Sable Permian Resources, LLC (1116) Sable Permian Resources, LLC (1183) Sable Permian Resources Operating, LLC (0631) Sable Permian Resources Finance, LLC (0921) Sable Permian Resources Finance, LLC (1851) Sable Permian Resources Finance, LLC (1764) SPR Holdings, LLC (0913) Sable Land Company, LLC (7206)	The operating accounts (the "Operating Accounts") are disbursement accounts utilized by the Debtors to fund operations-related expenses. The -1116, -1183, -0631, -1851 and -1764 accounts are zero-balance accounts with a low volume of payments. Checks issued from such accounts are funded automatically from the Concentration Account in the exact amount needed as they are processed and clear. The Debtors fund the -0921 and -7206 accounts by manually transferring funds from the Concentration Account only as needed. The -0921, -1851, -1764, and -7206 accounts are subject to a deposit account control agreement. As of the Petition Date, the Operating Accounts held a net balance of approximately $314,931.

[2] For the avoidance of doubt, this figure excludes cash in the Cash Collateral Account (as defined below).

Cash Collateral Account **Wells Fargo** Sable Permian Resources Finance, LLC (7692)	The cash collateral account (the "Cash Collateral Account") holds cash amounts to secure the Debtors' Purchase Card Program. As of the Petition Date, the Cash Collateral Account holds an aggregate balance of approximately $103,624.
Investment Accounts **WFS** Sable Permian Resources, LLC (0243) Sable Permian Resources Finance, LLC (5831) Sable Land Company, LLC (1454)	The investment accounts (the "Investment Accounts") hold excess cash in high-credit-quality prime funds and money market mutual funds that invest in U.S. government obligations. The -5831 and -1454 accounts are subject to securities account control agreements. The Debtors transfer excess cash from the Concentration Account to the Investment Accounts on a discretionary basis. Likewise, the Debtors transfer cash from the Investment Accounts to the Concentration Accounts to fund operations at the Debtors' discretion, as needed. As of the Petition Date, the Investment Accounts held a balance of approximately $41,393,584 million.

11. The Debtors incur periodic service charges and other fees in connection with the maintenance of the Cash Management System, which fees and services are generally paid each month (the "Bank Fees"). The Debtors have historically incurred Bank Fees of approximately $8,000 - $12,000 per month, which are debited from the respective Bank Account for which the Bank Fee was incurred. As of the Petition Date, the Debtors estimate that approximately $8,333 in Bank Fees have accrued and remain unpaid, all of which will become due and payable within the first 25 days of these chapter 11 cases.

Compliance with U.S. Trustee Guidelines

12. As part of the Cash Management System, the Debtors maintain their excess cash in conservative investments that, I believe, satisfy prudent investment guidelines, which have a primary objective of preserving principal, while secondarily maximizing yield and liquidity (the "Investment Policy"). As discussed above, consistent with the Investment Policy, the Debtors transfer excess cash to the Investment Accounts at their discretion. Pursuant to the Investment

Policy, the Debtors invest in high-credit-quality prime money market funds (rated AAA by Standard & Poor's/Aaa by Moody's) or short-term instruments (30 days or less) issued/backed by the United States Treasury (*i.e.* T-bills), all of which can be readily liquidated. Money market instruments generally include investment-grade short-term governmental and corporate securities and may include securities issued or guaranteed by the United States or certain U.S. government agencies or instrumentalities, obligations of banks, asset-backed securities, repurchase agreements, commercial paper, obligations of U.S. companies, states, municipalities, and other entities, and U.S. dollar-denominated obligations of foreign banks, foreign companies, and foreign governments.

13. The Investment Policy permits the Debtors to balance their need to access liquidity on a daily basis with protections that are comparable to, as I understand them, those contemplated by section 345(b) of the Bankruptcy Code. As noted above, the Investment Accounts are domestically held at WFS, which is a well-capitalized and financially-stable institution and a member of the SIPC. Moreover, I believe the Investment Policy reflects a disciplined and prudent strategy, permitting the Debtors to balance the need to maximize returns on excess cash while ensuring that such excess cash is readily available for use in the Debtors' business operations.

14. In addition, the Debtors utilize certain limited preprinted correspondence and business forms, such as letterhead, purchase orders, and invoices (collectively, the "Business Forms"), in the ordinary course of their businesses. The Debtors also maintain books and records to document, among other things, their profits and expenses. To avoid significant disruption to their business operations, minimize unnecessary additional expenses to their estates, and avoid confusion on the part of employees, customers, vendors, and suppliers during the pendency of these chapter 11 cases, I believe that the Court should authorize the Debtors' continued use of their

Business Forms, without reference to the Debtors' status as debtors in possession as required by the U.S. Trustee Guidelines, rather than requiring the Debtors to incur the unnecessary expense and delay of ordering entirely new forms or altering current printing arrangements.

Intercompany Transactions

15. The Debtors have historically engaged, in the ordinary course of business, in routine business relationships with each other (collectively, the "Intercompany Transactions"), resulting in intercompany receivables and payables (collectively, the "Intercompany Claims"). The Debtors typically engage in Intercompany Transactions to, among other things, provide support services and facilitate operations on a daily basis. For example, Sable Permian Resources, LLC receives and pays invoices for expenses incurred as operator of Sable Land Company, LLC's oil and gas assets, and then invoices Sable Land Company, LLC for such amounts, which is then repaid by Sable Land Company, LLC.

16. In connection with the daily operation of the Cash Management System, as funds are disbursed throughout the Cash Management System and as business is transacted between the Debtors, at any given time there may be intercompany balances owing by a Debtor to another Debtor. The Intercompany Transactions are traceable, and the Debtors intend to account for all postpetition Intercompany Transactions in accordance with past practice.

17. The Debtors historically have reflected Intercompany Claims as journal entry receivables and payables in the respective Debtor's accounting system. In the ordinary course of business, certain transactions related to the Debtors' revenue streams and the flow of funds between the Debtors and their affiliates are settled in cash. The Debtors closely track all fund transfers in their respective accounting system and, therefore, can ascertain, trace, and account for all Intercompany Transactions.

18. The Intercompany Transactions are an essential component of the Debtors' operations. I believe that any interruption of the Intercompany Transactions would severely disrupt these operations and result in great harm to the Debtors' estates and their stakeholders. The Intercompany Transactions are comparable to those of other companies with similarly complex corporate structures and operate in a fashion typical of other oil and natural gas companies. Accordingly, the Debtors seek authority—and, to the extent applicable, relief from the automatic stay—to continue the Intercompany Transactions in the ordinary course of business on a postpetition basis, in a manner substantially consistent with past practice.

Purchase Card Program

19. As part of the Cash Management System, the Debtors provide certain employees with credit cards (collectively, the "Purchase Cards") issued by Wells Fargo, American Express and WEX, Inc. (the "Purchase Card Program"). As of the Petition Date, there are approximately 161 active Purchase Cards used to make purchases on behalf of the Debtors. The Purchase Cards are corporate guarantee cards for which the relevant individuals do not have personal liability. Further, the Wells Fargo Purchase Cards are secured by a deposit of approximately $103,624 in the Cash Collateral Account maintained at Wells Fargo. The individuals use the Purchase Cards for approved and legitimate business expenses on behalf of the Debtors, including travel, business meals, office supplies, overnight postage, company-paid employee garage parking, state environmental licensing/permit fees, fuel for fleet vehicles, minor equipment purchases, membership fees/dues, and subscriptions. The expenses incurred on the Purchase Cards are essential to the operation of the Debtors' business, and amounts incurred on behalf of the Debtors are offset against amounts owed by the Debtors to each other under their operating and management services agreements.

20. On average, approximately $90,000 per month is debited on account of the Purchase Cards. In addition, there is a nominal service fee of $35 per card per year for the use of certain Purchase Cards issued under the Purchase Card Program. The Debtors estimate they owe approximately $40,800 on account of the Purchase Cards as of the Petition Date. I believe that Payment and continued use of the Purchase Card Program will minimize disruption to their operations and ensure continuity benefitting the Debtors' estates.

Need for Relief

21. I believe that requiring the Debtors to adopt a new, segmented cash management system during these chapter 11 cases would be expensive, burdensome, and unnecessarily disruptive to the Debtors' operations. The Cash Management System provides the Debtors with the ability to efficiently track and report the location and amount of funds, which, in turn, allows the Debtors to track and control such funds, ensure cash availability, and reduce administrative costs through a method of coordinating the collection and movement of funds. Any disruption of the Cash Management System (or requiring the Debtors to adopt a new, segmented cash management system) will have a negative effect on the Debtors' restructuring efforts and needlessly reduce the value of the Debtors' business enterprise. By contrast, I believe that maintaining the current Cash Management System will facilitate the Debtors' transition into chapter 11 by, among other things, minimizing delays in paying postpetition debts and eliminating administrative inefficiencies. Finally, maintaining the current Cash Management System will allow the Debtors and their management to focus on their daily responsibilities.

22. Moreover, the Debtors respectfully submit that parties in interest will not be harmed by their maintenance of the Cash Management System, including maintenance of the Bank Accounts and the Intercompany Transactions, because the Debtors have implemented appropriate

mechanisms to ensure that unauthorized payments will not be made on account of obligations incurred before the Petition Date. Specifically, with the assistance of their advisors, the Debtors have implemented internal control procedures that prohibit payments on account of prepetition debts without the prior approval of the Debtors' respective accounting departments. Additionally, the Debtors will continue to work closely with the Cash Management Banks to ensure that appropriate procedures are in place to prevent checks that were issued prepetition from being honored without the Court's approval. In light of such protective measures, I believe that maintaining the Cash Management System is in the best interests of their estates and creditors.

23. I believe implementing the U.S. Trustee Guidelines would needlessly interrupt the Debtors' operations and impair the Debtors' efforts to preserve the value of their estates and reorganize in an efficient manner. Although WFS is not an authorized depository under the U.S. Trustee Guidelines, I believe that WFS is well positioned to continue to perform its functions for the Debtors during the chapter 11 cases, without jeopardizing any parties in interest.

24. The Debtors engage in the Purchase Card Program on a regular basis, such that payment of the Purchase Cards are, as I understand, ordinary course transactions within the meaning of section 363(c)(1) of the Bankruptcy Code. The expenses incurred on the Purchase Cards are essential to the operation of the Debtors' business, and amounts incurred on behalf of the Debtors are offset against amounts owed by the Debtors to each other under their operating and management services agreements. Accordingly, payment and continued use of the Purchase Card Program will minimize disruption to the Debtors' operations and ensure continuity benefitting the Debtors' estates.

25. I believe that "cause" exists to continue to allow the Debtors to invest in the Investment Accounts. Requiring the Debtors to bond the Investment Accounts, as contemplated

by section 345(b) of the Bankruptcy Code (unless the Court orders otherwise), would impose considerable costs on the Debtors and their estates and would hamper the Debtors' already pressed liquidity needs.

26. I believe that parties in interest will not be prejudiced by allowing the Debtors to continue using business forms in their current forms. Parties doing business with the Debtors undoubtedly will be aware of their status as debtors in possession and, thus, changing business forms is unnecessary and would be unduly burdensome.

27. The Debtors track all fund transfers in their accounting system and can ascertain, trace, and account for all Intercompany Transactions previously described. The Debtors, moreover, will continue to maintain records of such Intercompany Transactions. If the Intercompany Transactions were to be discontinued, the Cash Management System and related administrative controls would be disrupted to the Debtors' and their estates' detriment.

28. On behalf of the Debtors, I respectfully submit that the Cash Management Motion should be granted and that failure to do so on an emergency basis would severely disrupt the Debtors' operations at this critical juncture.

F. Debtors' Emergency Motion for Entry of an Order Authorizing the Payment of Certain Prepetition Taxes (the "Tax Motion")

29. By the Tax Motion, the Debtors seek entry of an order authorizing them, in their discretion, to pay (or use tax credits to offset) prepetition and postpetition Taxes. The Debtors collect, withhold, and incur sales, use, franchise, ad valorem, and severance taxes, and withholding, as well as other business, environmental, and regulatory fees, in the ordinary course of their operations (collectively, the "Taxes"). The Debtors remit the Taxes to various federal, state, and local governments, including taxing and licensing authorities, identified in a schedule attached to the Tax Motion as Exhibit A (collectively, the "Taxing Authorities"). Taxes are

remitted and paid through checks and electronic fund transfers that are processed through banks and other financial institutions. The Debtors estimate that approximately $7,895,706 in Taxes relating to the prepetition period are currently due and owing or will become due and owing to the Taxing Authorities after the Petition Date.

Sales and Use Taxes

30. The Debtors incur, collect, and remit sales and use taxes to the Taxing Authorities in connection with the Debtors' sale and purchase of goods and services (the "Sales and Use Taxes"). Additionally, the Debtors purchase a variety of equipment, materials, supplies, and services necessary for the operation of their business from vendors who may not operate or be registered to collect tax in the state where the goods are to be delivered or the services are to be performed and, therefore, these vendors do not charge the Debtors sales tax in connection with such purchases of goods or services. In these cases, applicable law, as I understand, generally requires the Debtors to subsequently pay use taxes on such purchases to the applicable Taxing Authorities. The Debtors generally remit sales and use taxes on a monthly basis. In 2019, the Debtors paid approximately $2,931,718 in Sales and Use Taxes in the aggregate. The Debtors estimate they have accrued approximately $22,572 in Sales and Use Taxes as of the Petition Date.

Franchise Taxes

31. The Debtors are required to pay various state franchise taxes in order to continue conducting their businesses pursuant to state laws (the "Franchise Taxes"). The Debtors pay the Franchise Taxes annually. In 2019, the Debtors paid approximately $2,775 in Franchise Taxes. As of the Petition Date, the Debtors estimate that they owe approximately $1,652,100 to the relevant Taxing Authorities on account of prepetition Franchise Taxes. It is my understanding that as a result of the 2019 Restructuring, the Debtors incurred substantial cancellation of debt income,

which is the primary cause for the increase in the Debtors' Franchise Taxes as compared to the amount paid in 2019.

Withholding Taxes

32. The Debtors are also required to withhold and remit: (a) withholdings for income taxes on United States domestic-source income paid to foreign persons; (b) withholdings for state income taxes for non-residents in certain states in which the Debtors operate; and (c) backup withholdings for income taxes on amounts paid to certain vendors, mineral interest owners, and working interest owners (the "Withholding Taxes"). The Debtors remit Withholding Taxes on a monthly basis. In 2019, the Debtors paid approximately $11,223 in Withholding Taxes. I believe that no Withholding Taxes are accrued and outstanding as of the Petition Date.

Ad Valorem Taxes

33. State and local laws in the State of Texas, the jurisdiction in which the Debtors operate, generally grant Taxing Authorities the power to levy ad valorem taxes against the Debtors' real and personal property (collectively, the "Ad Valorem Taxes"). To avoid the imposition of statutory liens on their real and personal property, the Debtors typically pay the Ad Valorem Taxes in the ordinary course of business on an annual or bi-annual basis depending on the applicable Taxing Authority. In 2019, approximately $7,549,559 in Ad Valorem Taxes were remitted to the applicable Taxing Authorities with respect to the Debtors' current properties. The Debtors estimate they have accrued approximately $4,737,519 in Ad Valorem Taxes as of the Petition Date.

Severance Taxes

34. Applicable law in Texas, as I understand, also imposes severance taxes, which are a tax on "severing" natural resources, such as oil and gas, from the land or waters within a state or

jurisdiction (the "Severance Taxes"). In Texas, Severance Taxes are calculated as a percentage of the value of oil and gas produced. The Debtors pay Severance Taxes on a monthly basis. In 2019, the Debtors paid approximately $32,300,239 in Severance Taxes to the applicable Taxing Authorities with respect to their current properties. The Debtors estimate that they have accrued approximately $1,483,514 in Severance Taxes as of the Petition Date.

Environmental and Business Fees

35. The Debtors incur a variety of fees related to environment and conservation laws and regulations, business licensing and annual report fees, permitting, and participation in state regulatory agencies and boards. The Debtors remit these fees to the relevant Taxing Authorities on varying frequency. In general, the Debtors pay to the appropriate Taxing Authorities such fees as the Debtors deem reasonably appropriate for the operation of their businesses. In 2019, the Debtors paid approximately $246,018 in environmental and business fees. The Debtors estimate that there are no prepetition environmental and business fee obligations outstanding but include this description out of an abundance of caution.

Need for Relief

36. I believe that failing to pay the Taxes could materially disrupt the Debtors' business operations in several ways: (a) the Taxing Authorities may initiate audits of the Debtors, which would unnecessarily divert the Debtors' attention from the restructuring process; (b) the Taxing Authorities may attempt to suspend the Debtors' operations, file liens, seek to lift the automatic stay, and pursue other remedies that will harm the estates; or (c) certain of the Debtors' directors and officers could be subject to claims of personal liability, which would likely distract those key employees from their duties related to the Debtors' restructuring. In addition, unpaid Taxes may result in penalties, the accrual of interest, or both.

37. I believe that if certain Taxes remain unpaid, the Taxing Authorities may seek to recover such amounts directly from the Debtors' directors, officers, or employees, thereby distracting such key personnel from the administration of these chapter 11 cases. I believe that any collection action on account of such claims, and any potential ensuing liability, would distract the Debtors and their personnel to the detriment of all parties in interest. I believe the dedicated and active participation of the Debtors' officers and employees is integral to the Debtors' continued operations and essential to the orderly administration and, ultimately, the success of these chapter 11 cases. On behalf of the Debtors, I respectfully submit that the Tax Motion should be granted and that failure to do so on an emergency basis would severely disrupt the Debtors' operations at this critical juncture.

G. Debtors' Emergency Motion for Entry of Order (I) Approving the Debtors' Proposed Adequate Assurance of Payment for Future Utility Services, (II) Prohibiting Utility Providers From Altering, Refusing, or Discontinuing Services, and (III) Approving the Debtors' Proposed Procedures for Resolving Additional Assurance Requests (the "Utilities Motion")

38. By the Utilities Motion, the Debtors seek entry of an order (a) approving the Proposed Adequate Assurance of payment for future Utility Services from Utility Providers, (b) prohibiting the Utility Providers from altering, refusing, or discontinuing services, and (c) approving procedures for resolving any dispute concerning adequate assurance in an event that a Utility Provider is not satisfied with the Proposed Adequate Assurance.

Utility Services and Utility Providers

39. In connection with the operation of their businesses and management of their properties, the Debtors obtain electricity, natural gas, propane, telecommunications, water, waste management (including sewer and trash), internet, cable, security monitoring and other similar services (collectively, the "Utility Services") from a number of utility companies (each, a "Utility Provider," and collectively, the "Utility Providers"). A non-exclusive list of Utility Providers that

provide Utility Services to the Debtors as of the Petition Date is attached to the Utilities Motion as Exhibit A (the "Utility Service List").

40. Uninterrupted Utility Services are essential to the Debtors' ongoing business operations and the overall success of these chapter 11 cases. The Debtors' business involves the exploration and extraction of oil, natural gas, and natural gas liquids from leases it holds. To successfully continue with operations, the Debtors' business must be able to run without interruption. The Debtors' operations require numerous Utility Services for operating equipment used in drilling and producing oil and gas. In addition to the exploration and extraction processes conducted in the field, the Debtors operate a corporate office in Houston, Texas; field offices in Midland, Texas and Big Lake, Texas; and employee quarters in Big Lake, Texas. These offices and employee quarters are integral for ensuring the smooth operation of the Debtors' business and require Utility Services to operate. Should any Utility Provider refuse or discontinue service, even for a brief period, the Debtors' business operations would be severely disrupted, and such disruption would jeopardize the Debtors' ability to manage their restructuring efforts. Accordingly, I believe it is essential that the Utility Services continue uninterrupted during these chapter 11 cases.

41. As of the Petition Date, the Debtors owe approximately $549,406 on account of prepetition Utility Services to the Utility Providers. On average, the Debtors pay approximately $323,180 per month to the Utility Providers for the Utility Services, as calculated for the seven-month period ended March 31, 2020. To the best of the Debtors' knowledge, the Debtors do not have any existing prepayments, cash deposits, escrow agreements, or letters of credit with respect to any Utility Providers.

Proposed Adequate Assurance Of Payment

42. I believe that the Adequate Assurance Deposit, in conjunction with the Debtors' cash flow from operations, access to financing and cash collateral, and cash on hand, demonstrates their ability to pay for future Utility Services in accordance with prepetition and constitutes sufficient adequate assurance.

Need for Relief

43. I believe termination of the Utility Services could result in the Debtors' inability to maintain their business to the detriment of all stakeholders. I believe the Utility Providers are adequately assured against any risk of nonpayment for future services. On behalf of the Debtors, I respectfully submit that the Utilities Motion should be granted and that failure to do so on an emergency basis would severely disrupt the Debtors' operations at this critical juncture.

H. Debtors' Emergency Motion for Entry of an Order Authorizing the Debtors to (I) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (II) Continue Employee Benefit Programs (the "Wage Motion")

44. By the Wage Motion, the Debtors seek entry of an order (a) authorizing, but not directing, the Debtors to pay all prepetition and postpetition obligations on account of the Workforce Compensation and Benefits in the ordinary course of business and (b) authorizing, but not directing the Debtors to continue to administer the Workforce Compensation and Benefits programs.

The Debtors' Workforce

45. The Debtors employ approximately 213 individuals (collectively, the "Employees"),[3] of which approximately 127 Employees are salaried and approximately 86

[3] All Employees are paid by Debtor Sable Permian Resources Operating, LLC.

Employees are paid on an hourly basis. All Employees are employed on a full-time basis. The Debtors have approximately 18 Employees who have the title of Vice President or above. None of the Employees are represented by a union or collective bargaining unit.

46. In addition, the Debtors also periodically employ temporary workers (the "Temporary Workers") to fulfill certain duties on a short-term basis. The Debtors utilize the services of professional staffing advisory firms (each a "Temporary Workers Agency" and collectively, the "Temporary Workers Agencies"), including Tobin & Associates, HSPG & Associates, PC, Wood Group PSN, Zealous Energy Services, Petra Consultants, Oilfield Production Contractors, and Advanced Energy Services, to contract with and provide the Temporary Workers. As of the Petition Date, the Debtors retain approximately 35 Temporary Workers in accounting and field operations. Temporary Workers are an important supplement to the efforts of the Debtors' Employees.

47. The Debtors also supplement their workforce from time to time by relying on approximately three small independent contractors to perform a variety of services that are essential to the Debtors' ongoing operations (the "Independent Contractors"). The Independent Contractors are highly trained professionals who bring specialized knowledge and skills not otherwise available to the Debtors. The Debtors engage Independent Contractors to provide a range of specialized services, including regulatory legal advice, IT consulting, and production software. The continued use of Independent Contractors is a critical and cost-effective addition to the Debtors' Employee base.

48. The Debtors' Employees, Temporary Workers, and Independent Contractors (collectively, the "Workforce") perform a wide variety of functions critical to the administration of these chapter 11 cases and the Debtors' restructuring. Their skills, knowledge, and

understanding of the Debtors' operations and infrastructure are essential to preserving operational stability and efficiency. In many instances, these individuals are highly trained personnel and have an essential working knowledge of the Debtors' business that cannot be easily replaced. Without the continued, uninterrupted services of their Workforce, I believe the Debtors' restructuring efforts will be halted.

Employee Compensation

49. The Debtors pay their Employees' wage and salary obligations (collectively, the "Employee Compensation") bi-weekly on either a salaried or hourly basis. Employee Compensation is paid in arrears for work performed during a given bi-weekly period. The Debtors' gross payroll expenses on account of Employee Compensation are approximately $1,402,010 per pay period. As of the Petition Date, the Debtors owe approximately $544,942 on account of prepetition wages, salaries, overtime, and other compensation, excluding reimbursable expenses, paid time off, and amounts related to the Debtors' 401(k) Plan (as defined herein) (collectively, the "Unpaid Wages").

Withholding Obligations

50. The Debtors routinely deduct certain amounts from Employees' paychecks during each applicable pay period on account of miscellaneous items, including garnishments, child support and related fees, wage overpayments, certain personal expenses, and pre-tax and post-tax deductions payable pursuant to certain of the health and welfare programs (collectively, the "Deductions"). Some of these Deductions are forwarded to various third-party recipients. On average, Deductions total approximately $169,061 per pay period in the aggregate.

51. The Debtors also are required by law to withhold from Employee Compensation amounts related to, among other things, federal, state, and local income taxes, as well as Social

Security and Medicare taxes (collectively, the "Employee Payroll Taxes") for remittance to the appropriate federal, state, and local taxing authorities. The Debtors must then match certain of the Employee Payroll Taxes from their own funds and pay, based upon a percentage of gross payroll, additional amounts for state and federal unemployment insurance (the "Employer Payroll Taxes," and together with the Employee Payroll Taxes, the "Payroll Taxes"). The Payroll Taxes are generally processed and forwarded to the appropriate federal, state, or local taxing authority at the same time the Employees' payroll checks are disbursed. On average, Employee Payroll Taxes total approximately $307,732 per pay period in the aggregate. As of the Petition Date, the Debtors estimate that approximately $242,124 in Deduction and Payroll Tax obligations (together, the "Withholding Obligations") are accrued and outstanding.

Payroll Processor

52. The Debtors utilize The Ultimate Software Group, Inc., d/b/a/ UltiPro to process payroll disbursements, administer Withholding Obligations, and provide certain related services, including benefit administration and paycheck deductions, among others (the "Payroll Processor"). The Debtors have historically paid (a) approximately $4,251 per pay period to the Payroll Processor on account of payroll disbursement and administration services, which the Debtors pay in advance each quarter, and (b) certain additional charges (such as shipping charges) that are separate from the quarterly fee. The failure to pay prepetition or postpetition payroll servicing fees may delay employee payroll disbursements or the payment or transfer of Withholding Obligations to the appropriate third-parties to the detriment of Employees and the Debtors' operations. As of the Petition Date, the Debtors believe there are $6,752 outstanding prepetition amounts owed to the Payroll Processor.

Reimbursable Expenses

53. In the ordinary course of business, certain Employees who use their personal credit cards or cash for certain reasonable and customary expenses (the "Reimbursable Expenses") incurred on behalf of the Debtors in the scope of their employment in the ordinary course of business are eligible to receive reimbursement after certain approvals are received, in accordance with internal policies and procedures. Reimbursable Expenses typically include expenses associated with travel, transportation, lodging, meals, rental cars, personal car use, certain business entertainment, continuing professional education, office equipment and supplies, and other reasonable business-related expenses. The Debtors have historically paid approximately $20,000 per month on account of such Reimbursable Expenses. As of the Petition Date, the Debtors estimate that approximately $1,209 in Reimbursable Expenses are accrued and outstanding.

Temporary Worker Compensation

54. As previously set forth, in order to supplement their workforce, the Debtors rely on the support of Temporary Workers to fill short-term positions that are not economically feasible to employ on a full- or part-time basis. The Debtors make payments on account of the Temporary Workers (the "Temporary Worker Compensation") for the performance of certain services critical to the Debtors' operations, which has historically been paid directly to the Temporary Workers Agencies through the accounts payable process, rather than the payroll process.[4] As a result, the Debtors are not typically obligated to make withholdings or other deductions on account of Temporary Workers. Temporary Workers are employed to aid with, among other things, accounting and field operations. I believe the authority to continue paying the Temporary Workers

[4] For the avoidance of doubt, Temporary Worker Compensation includes the Temporary Workers Agencies' fees, as the Debtors are invoiced one amount for the Temporary Workers, which includes both the Temporary Workers' wages and the applicable Temporary Workers Agency's fees.

is critical to minimize disruption of the Debtors' continued business operations. The Debtors have historically paid approximately $404,370 per month to the Temporary Workers Agencies on account of Temporary Worker Compensation. As of the Petition Date, the Debtors estimate that the aggregate amount of accrued but unpaid Temporary Worker Compensation is approximately $67,395.

Independent Contractors

55. As described above, the Independent Contractors conduct a range of important services for the Debtors, including regulatory legal consulting, IT consulting, and production software, among others. Many of these Independent Contractors work in the Debtors' offices and in field operations performing services that could be performed by full-time employees in other circumstances and at other companies. Pursuant to various contracts with the Independent Contractors, the Debtors typically remit payment for the Independent Contractors' services directly to the Independent Contractors through their accounts payable system. On average, the Debtors pay approximately $28,631 per month on account of compensation owed to the Independent Contractors (the "Independent Contractor Compensation"). As of the Petition Date, the Debtors estimate that the aggregate amount of accrued but unpaid Independent Contractor Compensation is approximately $14,316.

Manager Compensation

56. Debtors Sable Permian Resources, LLC, Sable Permian Resources Finance, LLC, and Sable Land Company, LLC maintain boards of managers (collectively the "SPR Boards"), which in the aggregate are comprised of one Employee member and 9 non-Employee members (each, an "SPR Manager"). Certain SPR Managers serve on multiple SPR Boards, as well as on the finance committee, in addition to certain other special committees of the SPR Boards, as

needed. Four of the SPR Managers receive an annual fee of $60,000 and, with the exception of the Employee SPR Manager, each other SPR Manager receives an annual fee of $10,000 for their service on the SPR Boards, which are paid quarterly in arrears. The Employee SPR Manager does not receive additional compensation for service on the SPR Boards. The Debtors also reimburse reasonable and documented out-of-pocket expenses incurred by SPR Managers. As of the Petition Date, the Debtors believe that the aggregate amount of accrued but unpaid amounts on account of retainers, fees, or reimbursable expense obligations to the SPR Managers (collectively, the "Manager Compensation") is $72,500.

Health Benefit Programs

57. The Debtors offer all eligible Employees the opportunity to participate in a number of health benefit plans, including medical, dental, and vision (collectively, the "Health Benefit Programs"). For eligible Employees, the Debtors pay the Health Benefit Programs monthly in advance.

58. Eligible Employees are entitled to participate in medical plans (collectively, the "Medical Plan") that are administered by UnitedHealthcare Insurance Company ("UnitedHealthcare"). Approximately 201 Employees are enrolled in the Medical Plan. Under the Medical Plan, participants receive coverage for, among other things, preventive care, doctor visits, hospital care, prescription drugs, and wellness. Monthly health care contributions paid under the Medical Plan vary depending on whether the participant has dependents covered by the applicable plan, among other things. Participating Employees pay bi-weekly contributions, which are deducted from their paychecks. The Debtors' bi-weekly cost to provide the Medical Plan on behalf of their Employees is approximately $152,822, of which approximately $130,658 is paid by the Debtors and $22,164 is funded by deductions from participating, eligible Employees, as

applicable. As of the Petition Date, the Debtors believe that there is $59,400 in accrued and unpaid obligations related to the Medical Plan.

59. The Debtors also offer their eligible Employees dental insurance through a plan underwritten by UnitedHealthcare (the "Dental Plan"). Approximately 200 Employees are enrolled in the Dental Plan. The Debtors' bi-weekly cost to provide the Dental Plan on behalf of the eligible Employees is approximately $10,536, of which approximately $2,043 is funded by deductions from participating Employees. As of the Petition Date, the Debtors believe that there is approximately $4,095 in accrued and unpaid obligations related to the Dental Plans.

60. The Debtors offer eligible Employees the option of participating in a vision plan underwritten by EyeMed Vision Care, in conjunction with Fidelity Security Life Insurance Company (the "Vision Plan"). Approximately 188 Employees are enrolled in the Vision Plan. For eligible Employees, the Debtors pay the Vision Plan monthly in advance. The Debtors' bi-weekly cost to provide the Vision Plan on behalf of their Employees is approximately $1,875, of which approximately $879 is funded by deductions from participating Employees. As of the Petition Date, the Debtors believe that there is approximately $729 accrued and unpaid obligations related to the Vision Plan.

61. The Debtors also provide their Employees with a healthcare concierge service administered by Wellthy, Inc. ("Wellthy"). On average, the Debtors pay approximately $750 per month to provide this benefit. As of the Petition Date, the total accrued but unpaid Wellthy obligations are approximately $750.

62. The Debtors offer eligible Employees the ability to contribute a portion of their pre-tax compensation to flexible spending accounts administered by UnitedHealthcare to pay for certain out-of-pocket health care and dependent care expenses (the "Flexible Spending Program").

Approximately 36 Employees participate in the Flexible Spending Program. During the open enrollment period each year, participating Employees may elect to contribute up to $2,700.00 in the healthcare accounts and up to $5,000.00 in the dependent care account by deducting such amounts from their paychecks during the course of the year. The Debtors do not make contributions to the Flexible Spending Accounts, which are funded solely through Employee contributions. The Debtors pay approximately $150 on a monthly basis to UnitedHealthcare to administer the Flexible Spending Program (the "Flexible Spending Administrative Costs"). As of the Petition Date, the Debtors owe approximately $150 on account of the Flexible Spending Administrative Costs.

63. The Debtors offer eligible Employees the ability to contribute a portion of their pre-tax compensation to a health savings account (an "HSA Account") administered by Optum Bank to pay for certain out-of-pocket medical, dental and vision expenses (the "HSA Program"). Approximately 116 Employees participate in the HSA Program. During the open enrollment period each year, participating Employees may elect to contribute up to $3,550 for an individual or $7,100 for an employee with one or more dependents and an additional $1,000 catch-up contribution for employees age 55 or older, deducting such amounts from their paychecks during the course of the year. The Debtors make matching contributions, up to $1,800 annually, to HSA Accounts, which are funded at the beginning of each calendar year. The Debtors pay approximately $225 on a monthly basis to Optum Bank to administer this plan. As of the Petition Date, the Debtors owe approximately $225 on account of the HSA Program.

Insurance and Disability Programs

64. The Debtors provide life and accidental death and dismemberment insurance coverage to all eligible Employees through The Prudential Insurance Company of America

("Prudential"), which provides coverage equal to 2.5 times of employee's base salary, up to $700,000 (the "Basic Life and AD&D Insurance"). Employees are able to supplement their Basic Life and AD&D Insurance by buying additional life and accidental death and dismemberment insurance for themselves, their spouse, and their children through Prudential ("Supplemental Life Insurance" and, together with the Basic Life and AD&D Insurance, the "Life Insurance Programs"). Employees can purchase additional coverage (a) for themselves up to a maximum level of the lesser of $500,000 or 7 times their annual earnings, (b) for their spouse up to $250,000 but not to exceed 50% of the Employee election, and (c) of $10,000 for children. On average, the Debtors' monthly cost to provide the Life Insurance Programs on behalf of their Employees is approximately $14,928. The Debtors pay amounts due and owing under the Life Insurance Programs monthly in advance. As of the Petition Date, the Debtors believe that there is approximately $19,922 in accrued and unpaid obligations related to the Life Insurance Program.

65. The Debtors provide eligible Employees with long-term disability benefits (the "Long-Term Disability Benefits") and short-term disability benefits (the "Short-Term Disability Benefits," and together with the Long-Term Disability Benefits, the "Disability Benefits"), each administered through Prudential. For eligible Employees, the Short-Term Disability Benefits commence on the eighth consecutive day of absence from work due to a non-work related illness or injury, and can continue for up to 25 weeks from the date of the illness or injury. The benefit amount is limited to 70% of the Employee's base weekly earnings up to $2,700 per week. Long-Term Disability Benefits begin, subject to approval, after 180 days of consecutive absence of an Employee from work due to a similar, non-work related illness or injury. The Long-Term Disability Benefit is 60% of the Employee's base monthly earnings, up to a monthly maximum of $15,000. On average, the Debtors pay approximately $16,021 per month in advance on account

of the Disability Benefits. As of the Petition Date, the Debtors believe that there is approximately $21,685 in obligations owing on account of Disability Benefit obligations.

66. The Debtors provide all Employees with an Employee Assistance Program ("EAP") administered by Prudential. The EAP assists employees with personal and/or work-related problems that may impact their mental and emotional well-being, job performance, and health. On average, the Debtors pay approximately $168 per month in advance to provide this benefit. As of the Petition Date, the Debtors believe that there is approximately $212 in obligations owing on account of EAP obligations.

Workers' Compensation Program

67. The Debtors maintain workers' compensation insurance for Employees at the levels required by laws in the states in which the Debtors operate (collectively, the "Workers' Compensation Program"). The Debtors maintain coverage for the Workers' Compensation Program through Berkley National Insurance Company ("Berkley"), who also administers the Workers' Compensation Program. The Debtors pay approximately $73,700 per year on account of the Workers' Compensation Program administration. As of the Petition Date, the Debtors have approximately $34,791 in accrued and outstanding insurance fees related to the Workers' Compensation Program (the "Workers' Compensation Obligations"), all of which will come due within the first 21 days of these chapter 11 cases. I understand that the Debtors must continue the claim assessment, determination, adjudication, and payment process pursuant to the Workers' Compensation Program without regard to whether such liabilities are outstanding before the Petition Date to ensure that the Debtors comply with applicable workers' compensation laws and requirements.

68. For the claims administration process to operate in an efficient manner and to ensure that the Debtors' comply with their contractual obligations and applicable law, the Debtors must continue to assess, determine, and adjudicate claims brought under the Workers' Compensation Program during these chapter 11 cases. Because the Debtors are statutorily and/or contractually obligated to maintain the Workers' Compensation Program, their inability to do so may result in adverse legal consequences that disrupt the reorganization process. As of the Petition Date, the Debtors do not believe there are any open claims under the Workers Compensation Program and the Debtors are not aware of any potential claims against them that have not yet been formally reported.

401(k) Plan

69. The Debtors provide Employees with the opportunity to participate in a defined contribution employee retirement program (the "401(k) Plan"). Employees are automatically enrolled in the 401(k) Plan immediately upon hire. The 401(k) Plan generally provides for pre-tax deductions of compensation up to limits set by the Internal Revenue Code, as well as for certain post-tax deductions. Each participating Employee's 401(k) Plan contributions are automatically deducted from each paycheck and transferred to a trust established under the 401(k) Plan (collectively, the "401(k) Deductions"). Over the last 12 months, the Debtors withheld an average of approximately $320,710 per pay period on account of the 401(k) Deductions.

70. The Debtors match the Employees' 401(k) Plan contributions up to the first ten (10) percent of eligible compensation each pay period the Employees contribute, subject to the maximum amount permitted by the IRS (the "Matching Contributions"). Over the last twelve months, the Debtors paid an average of approximately $299,737 per month on account of the Matching Contributions. The Debtors also provide a 3% non-elective safe harbor contribution (the

"Safe Harbor Contribution") into the plan. Over the last twelve months, the Debtors paid an average of approximately $108,620 per month on account of the Safe Harbor Contribution.

71. The Debtors utilize Schwab Retirement Plan Services, Inc. ("Schwab") to administer the 401(k) Plan. Schwab assists the Debtors in designing and administering their 401(k) Plan to provide Employees with a legally compliant and efficient plan. The Debtors have historically paid approximately $30,000 per year to Schwab, which is paid in equal quarterly installments. The failure to pay prepetition or postpetition fees may disrupt the administration of the 401(k) Plan to the detriment of the Debtors' Employees. As of the Petition Date, the Debtors owe approximately $9,406 on account of prepetition services provided by Schwab.

72. The Debtors utilize Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill") to act as an investment advisor to the 401(k) Plan committee. Merrill assists the Debtors in designing investment options for the 401(k) Plan. The Debtors have historically paid approximately $45,000 per year to Merrill, which is paid in quarterly installments. The failure to pay prepetition or postpetition fees may disrupt the administration of the 401(k) Plan to the detriment of the Debtors' Employees. As of the Petition Date, the Debtors believe that no amounts are accrued and outstanding on account of prepetition services provided by Merrill.

Benefits Management and Consultation

73. The Debtors utilize Epic Insurance Brokers & Consultants ("Epic") to provide benefits management and consulting services. Epic assists the Debtors in designing and administering their benefit programs to provide Employees efficient and effective benefits, while also managing risk ("Benefits Management Services"). The Debtors have historically paid approximately $5,000 per year to Epic on account of such services. The failure to pay prepetition or postpetition benefits management and consulting services fees may disrupt the administration

of the Employee Benefit Programs to the detriment of the Debtors' Employees. As of the Petition Date, there are no accrued and outstanding amounts owed to Epic. The Debtors also utilize Longnecker & Associates ("Longnecker") as its compensation consultant. Longnecker assists the Debtors on various projects, including building and enhancing executive compensation and workforce reward programs. The Debtors have historically paid approximately $50,000 per year to Longnecker on account of such services. As of the Petition Date, there are no accrued and outstanding amounts owed to Longnecker.

Severance

74. The Debtors do not have a formal severance plan. However, the Debtors paid approximately $601,748 in salary severance ("Salary Severance") from April 3, 2020 to the Petition Date, primarily as a result of a reduction in force of 37 Employees in March 2020. As of the Petition Date, the Debtors believe that there are no accrued but unpaid obligations related to Salary Severance. Upon termination, former Employees are entitled to continue their coverage under the Medical Plan, Dental Plan, Vision Plan, and Flexible Spending Program under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), which allows covered employees and their family members to continue their group coverage entirely at their own cost without contributions by the former employer. However, there may be instances when the Debtors decide to pay for a part of COBRA coverage (as determined on a case-by-case basis), and in these instances, the Debtors pay COBRA directly on behalf of the former Employee if the former Employee elects coverage. As of the Petition Date, the Debtors are obligated to pay premiums related to continuing COBRA benefits coverage for 19 former Employees (the "COBRA Reimbursement," and together with the Salary Severance, the "Employee Severance"). As of the Petition Date, the Debtors believe there are no accrued but unpaid COBRA Reimbursement

obligations. I believe that it is important that they fulfill their Employee Severance obligations to reassure all Employees that the Debtors intend to honor their obligations to Employees in the event a reduction in workforce becomes necessary during the pendency of these chapter 11 cases.

Vacation, Holiday, Sick Time, and Other Leaves of Absence Time

75. The Debtors provide vacation, holiday, sick, and other leaves of absence to all full-time Employees. Employees become eligible for leave on the first day of full-time employment, although specific leave policies may accrue periodically throughout the calendar year (as specified herein).

76. The Debtors offer vacation time ("Vacation Time") to all Employees as a paid time-off ("PTO") benefit. Industry experience generally determines the amount of Vacation Time available to each eligible Employee. Vacation Time accrues bi-weekly, on a per pay period basis at a rate of one-twenty-sixth of the total annual vacation award for the calendar year, but is fully available at the beginning of each year as a courtesy. Employees must be actively working to earn Vacation Time; no Vacation Time is earned during leaves of absence. Employees who do not use their Vacation Time by the end of the calendar year generally may carry over from one calendar year to the next up to a maximum accrual of 40 hours at any time. In the event of any voluntary or involuntary termination of employment, all earned and unused Vacation Time is typically paid out to eligible Employees. As of the Petition Date, the total accrued and unused Vacation Time amounts to approximately $1,198,182.

77. Additionally, the Debtors provide sick time for all eligible Employees as a PTO benefit (the "Sick Time"). Eligible Employees are awarded Sick Time at the rate of 80 hours per year for salaried and hourly employees, and 84 hours per year for employees who work a "hitch" schedule. Unused Sick Time may be carried over from one calendar year to the next into an

Extended Illness Bank ("EIB"). No payments are made for unused accrued Sick Time or EIB in the event of termination, except as required under applicable law or individual employment agreements.

78. The Debtors also offer Employees up to 5 days of bereavement leave as a PTO benefit in the event of death of a family member ("Bereavement Leave"). Additionally, the Debtors offer Employees paid leave for jury duty ("Jury Duty Leave," and together with Bereavement Leave, collectively, "Paid Leave"). The Debtors observe 11 holidays each calendar year ("Holidays"). Eligible full-time Employees receive Holidays as a PTO benefit. Holiday hours are paid at a rate based on the Employee's regularly scheduled working hours per day. Employees may also take certain other unpaid leaves of absence for personal reasons (collectively, the "Leaves of Absence Time"). Leaves of Absence Time includes family medical leaves, pregnancy, adoption and foster care leaves, military, voting leaves, and other personal leaves. Employees are not entitled to cash payments for unused Leaves of Absence Time. Thus, the Debtors do not believe that there are any obligations owing as of the Petition Date on account of Leaves of Absence Time.

Identity Protection Program

79. The Debtors offer Employees voluntary identity-theft protection services through New Benefits, an Epic program (the "Identity Protection Program"). The Debtors' expenditures on account of the Identity Protection Program are approximately $670 per month. As of the Petition Date, the Debtors estimate that the total accrued but unpaid Identity Protection Program obligations are approximately $670.

Houston Employee Parking and Metro Bus Passes

80. The Debtors also provide 110 Employees with fully-subsidized parking permits at their Houston office and 25 Employees with fully-subsidized METRO and The Woodlands Express bus passes (collectively, the "Houston Transportation Program"). The average monthly cost of the Houston Transportation Program is approximately $22,425. As of the Petition Date, the Debtors estimate that the total accrued but unpaid Houston Transportation Program obligations are approximately $8,210.

Educational Assistance Program

81. Full-time Employees who have completed at least six (6) consecutive months of employment with the Debtors are also eligible for the Debtors' educational assistance program (the "Educational Assistance Program"), under which the Debtors reimburse up to 6 credit hours per semester or school quarter of eligible expenses, including tuition, required textbooks, and any laboratory fees up to a maximum of $5,250 per calendar year. Courses must be towards a college or graduate degree, must not interfere with the Employee's job responsibilities, and must be taken during hours that are outside of an Employee's scheduled working time. To be eligible for reimbursement, an Employee must be actively employed and on the Debtors' payroll (a) at the time of course attendance, (b) upon successful completion of the course(s), and (c) at the time reimbursement is made. The average annual cost of the Educational Assistance Program is approximately $5,250. As of the Petition Date, the Debtors owe approximately $3,610 on account of the Educational Assistance Program.

Matching Gifts Program

82. The Debtors also match Employee contributions to certain accredited and tax-exempt organizations (the "Matching Gifts Program"), including, but not limited to, museums,

libraries, performing arts organizations, schools, colleges and universities, and hospitals. All full-time Employees are eligible to participate in the Matching Gifts Program. The Debtors match contributions dollar-for-dollar, up to a maximum aggregate contribution of $1,000 per Employee per calendar year. The average annual cost of the Matching Gifts Program is approximately $9,605. As of the Petition Date, the Debtors do not believe any amounts are accrued and outstanding on account of the Matching Gifts Program.

Death Benefits

83. In the event of death or disability of an Employee, the Debtors have historically paid, in cash either the fair market value or grant price, of any equity earned by such Employee under the Debtors historical incentive programs to the Employee's beneficiary (the "Death Benefits"). As of the Petition Date, the Debtors do not believe any amounts are accrued and outstanding on account of the Death Benefits.

Cell Phone Stipend

84. The Debtors provide all Employees with a cell phone stipend that is part of the Bring Your Own Device (BYOD) program in place for mobile phones (the "BYOD Program"). This program provides employees with a $100 per month stipend, payable on 24 paychecks during the year ($50 per check). As of the Petition Date, the Debtors estimate that the total accrued but unpaid BYOD Program obligations are approximately $5,200.

Miscellaneous Benefits

85. The Debtors also provide certain executive Employees with miscellaneous benefits such as reimbursement for certain club memberships and reserved parking pursuant to individual employee contracts (collectively, the "Miscellaneous Benefits"). The average annual cost of the

Miscellaneous Benefits is approximately $41,959. As of the Petition Date, the Debtors do not believe any amounts are accrued and outstanding on account of the Miscellaneous Benefits.

Need for Relief

86. I believe the vast majority of the Workforce rely exclusively on their compensation and benefits to pay their daily living expenses and support their families. Thus, I believe the Workforce will be exposed to significant financial difficulties if the Debtors are not permitted to honor obligations for unpaid Workforce Compensation and Benefits.

87. Moreover, the Workforce provide the Debtors with services necessary to conduct the Debtors' business, and I believe that, absent the payment of the Workforce Compensation and Benefits owed to the Workforce, the Debtors may experience Workforce turnover and instability at this critical time. I believe that without these payments, the Workforce may become demoralized and unproductive because of the potential significant financial strain and other hardships it may face, causing them to elect to seek alternative employment opportunities. Additionally, a significant portion of the value of the Debtors' business is tied to their Workforce, which cannot be replaced without significant efforts—which efforts may not be successful given the overhang of these chapter 11 cases. Enterprise value may be materially impaired to the detriment of all stakeholders in such a scenario. I believe payment of the prepetition obligations with respect to the Workforce Compensation and Benefits is thus a necessary and critical element of the Debtors' efforts to preserve value and will provide the Debtors the greatest likelihood of retention of their Workforce as the Debtors seek to operate their businesses in these chapter 11 cases. On behalf of the Debtors, I respectfully submit that the Wages Motion should be granted and that failure to do so on an emergency basis would severely disrupt the Debtors' operations at this critical juncture.

I. Debtors' Emergency Motion for Entry of an Order Authorizing the Debtors to Pay Mineral Payments and Working Interest Disbursements (the "Mineral Payments Motion")

88. By the Mineral Payments Motion, the Debtors seek entry of an order (a) authorizing, but not directing, them to pay in the ordinary course of business all prepetition and postpetition amounts owing on account of Mineral Payments and Working Interest Disbursements. As a result of the 2019 Restructuring, Debtor Sable Land owns and holds all of the Debtors' oil and gas assets. Pursuant to a joint operating agreement between Sable Land and SPR, SPR operates and manages all properties held by Sable Land. In addition, SPR and Sable Permian Resources Operating, LLC provide management services not covered by the joint operating agreement to Sable Land pursuant to a management agreement.

89. A mineral interest generally consists of a real property interest in the minerals in place under a parcel of property and the right to enter the property and capture such minerals through exploration, drilling, and production operations. Through a written agreement (an "Oil and Gas Lease"), owners of mineral interests lease, grant, or otherwise convey their right to capture minerals (a "Working Interest") to a third party (a "Working Interest Holder") in exchange for either a share of production or payments in lieu of a share of production (a "Royalty Interest"). The Debtors hold Working Interests in various oil and gas properties in the Permian Basin of West Texas.

90. The efficient capture of minerals often requires use of an area of land or depth (the "Contract Area") that implicates the Working Interest of more than one Working Interest Holder. Accordingly, the rights and responsibilities associated with the capture of minerals are allocated by and between the Working Interest Holders either by mutual agreement, commonly documented in a joint operating agreement (a "JOA"), or by the application of well-established real property and contractual precedents.

91. Working Interest Holders, either through a JOA or otherwise, typically designate one Working Interest Holder (or its designee) as the operator of the Contract Area (the "Operator"). The Operator conducts the exploration, drilling, and production associated with capturing minerals in the Contract Area on behalf of itself and/or the other, non-operating Working Interest Holders (each, a "Non-Operating Working Interest Holder" and each a holder of a "Non-Op Working Interest"). In turn, the Operator distributes to each Non-Operating Working Interest Holder its share of the well's proceeds (a "Working Interest Disbursement"). In the twelve months preceding the Petition Date, the Debtors, as the Operator of certain Contract Areas, paid approximately $23,805,815 in Working Interest Disbursements to Non-Operating Working Interest Holders, exclusive of intercompany Working Interest Disbursements. As of the Petition Date, the Debtors estimate that they had approximately $3,551,398 of Working Interest Disbursements outstanding to non-Debtor third parties.

92. A Working Interest may be subject to or burdened by various other interests in minerals, production, or profits, which may have been created before or after the Oil and Gas Lease was entered into, created by the Oil and Gas Lease itself, or which may exist in the absence of an Oil and Gas Lease. Such interests can take many forms, including overriding royalty interests, non-participating royalty interests, net profits interests, production payments, unleased mineral interests, lease extension payments, and delay rental payments (collectively, with Royalty Interests, the "Interest Burdens").

93. The Debtors have Working Interests in approximately 703 oil and gas wells, which are generally subject to one or more Interest Burdens. I believe that failure to make payments on account of the Interest Burdens (the "Mineral Payments") would have a severe negative effect on the Debtors and their interests in the Oil and Gas Leases. Mineral Payments are governed by the

terms of the Oil and Gas Leases, other contracts, and state statutory frameworks that set strict payment deadlines and contain enforcement mechanisms including lien rights, interest, fines, recovery of costs and attorneys' fees, and treble damages. Failure to pay Mineral Payments could trigger such enforcement actions and could, in certain instances, result in actions seeking the forfeiture, cancellation, or termination of Oil and Gas Leases.

94. The Mineral Payments are subject to variation due to many factors, such as the specific terms of the underlying agreements and changes in the amount or type of minerals captured. The Debtors remit these payments to Interest Burden owners (the "Mineral Payees") throughout the course of a given month. As a result of the time required to market and sell the production and the significant accounting process required each month to accurately disburse the resulting proceeds, Mineral Payments generally are made approximately 60 to 90 days after production of the underlying minerals. In the twelve months preceding the Petition Date, the Debtors have made Mineral Payments totaling approximately $184,644,276. The Debtors estimate that, as of the Petition Date, there are approximately $39,677,410 in Mineral Payments that are outstanding.

Need for Relief

95. Because, as I understand the law, the Mineral Payments and Working Interest Disbursements are arguably not property of the estate (other than those owed to Sable Land, which are part of Sable Land's estate), I believe that parties may assert that the automatic stay does not prevent any action by a Mineral Payee to obtain possession or exercise control over the Mineral Payments, or a Working Interest Holder to obtain possession or exercise control over the Working Interest Disbursements, as applicable. I believe that failure to grant the relief requested by the Mineral Payments Motion could subject the Debtors to unnecessary litigation, either in or outside

of the bankruptcy court, at a time when their resources are already subject to enormous strain. Accordingly, I believe payment of the Mineral Payments and Working Interest Disbursements in the ordinary course of business is in the best interests of the Debtors and their creditors. On behalf of the Debtors, I respectfully submit that the Mineral Payments Motion should be granted and that failure to do so on an emergency basis would severely disrupt the Debtors' operations at this critical juncture.

J. Debtors' Emergency Motion for Entry of an Order (I) Authorizing Payment of Working Interest Costs, Joint Interest Billings, Marketing Expenses, and 503(b)(9) Claims and (II) Confirming Administrative Expense Priority Status Of Outstanding Orders (the "JIB Motion")

96. By the JIB Motion, the Debtors seek entry of an order (a) authorizing, but not directing, them to pay in the ordinary course of business all prepetition and postpetition amounts owing on account of (i) Working Interest Costs, (ii) Joint Interest Billings, (iii) Marketing Expenses, and (iv) 503(b)(9) Claims and (b) confirming the administrative expense priority status of Outstanding Orders and authorizing payment of such obligations in the ordinary course of business. As a result of the 2019 Restructuring, Debtor Sable Land owns and holds all of the Debtors' oil and gas assets. Pursuant to a joint operating agreement between Sable Land and SPR, SPR operates and manages all properties held by Sable Land. In addition, SPR and Sable Permian Resources Operating, LLC provide management services not covered by the joint operating agreement to Sable Land pursuant to a management agreement.

97. Through a written agreement (an "Oil and Gas Lease"), owners of mineral interests lease, grant, or otherwise convey their right to capture minerals (a "Working Interest") to a third party (a "Working Interest Holder") in exchange for either a share of production or payments in lieu of a share of production. The Debtors hold Working Interests in various oil and gas properties in the Permian Basin of West Texas. The efficient capture of minerals often requires use of an

area of land or depth (the "Contract Area") that implicates the Working Interest of more than one Working Interest Holder. Accordingly, the rights and responsibilities associated with the capture of minerals are allocated by and between the Working Interest Holders either by mutual agreement, commonly documented in a joint operating agreement (a "JOA"), or by the application of well-established real property and contractual precedents.

98. Working Interest Holders, either through a JOA or otherwise, will typically designate one Working Interest Holder (or its designee) as the operator of the Contract Area (the "Operator"). The Operator conducts the exploration, drilling, and production associated with capturing minerals in the Contract Area on behalf of itself and/or the other, non-operating Working Interest Holders (each, a "Non-Operating Working Interest Holder" and each a holder of a "Non-Op Working Interest"). In the typical arrangement and subject to the rights of an Operator to request advance payment, the Operator initially incurs substantially all of the costs associated with exploration, drilling, and production on account of, where applicable, itself (if it holds Working Interests in the Contract Area and does not merely contract to operate such area) and/or the holders of Non-Op Working Interests (the "Working Interest Costs"), including payments to third parties such as vendors, contractors, drillers, haulers, and other suppliers of oil and gas related services (the "Mineral Contractors"). It subsequently will bill or charge the Non-Operating Working Interests Holders for their *pro rata* share of the Working Interest Costs under the applicable JOA or other agreement (each, a "Joint Interest Billing").

Working Interest Costs

99. Working Interest Costs commonly include payments to Mineral Contractors that perform labor or furnish or transport materials, equipment, or supplies used in the drilling, operating, or maintaining of an oil and gas property. Working Interest Costs also can include

payments made to third parties who own property interests that are critical to the drilling, operating, or maintaining of an oil and gas property. Such payments can take the form of lump sum payments, rentals, extensions, minimum payments, or damage payments made to surface or mineral interest owners. Regardless of when an Operator is reimbursed by Non-Operating Working Interest Holders through the Joint Interest Billing process, the Operator must continue to pay Working Interest Costs in a timely fashion. As I understand the law, failure to pay Working Interest Costs when due could result in (among other remedies) the Operator's removal as Operator under the JOA and/or, the perfection or enforcement of liens on the Debtors' assets.

100. In the 12 months before the Petition Date, the Debtors paid approximately $563,723,401 in Working Interest Costs. Non-Operating Working Interest Holders, other than the Debtors, reimbursed or were billed by the Debtors approximately $14,458,487 on account of Joint Interest Billings. As of the Petition Date, the Debtors estimate that they have approximately $59,264,511 of Working Interest Costs outstanding, of which approximately $47,491,914 will come due during the first twenty-five (25) days following the Petition Date. The Debtors expect to be reimbursed approximately $2,863,878 by non-Debtor holders of Non-Op Working Interests for these unpaid Working Interest Costs.

Joint Interest Billings

101. The Debtors also hold Non-Op Working Interests in oil and gas properties. In such circumstances, a third party acts as Operator and is charged with the daily operations and the Working Interest Costs associated therewith. The Debtors' primary responsibility with respect to their Non-Op Working Interests is to timely pay the Operators for their *pro rata* share of Working Interest Costs through the Joint Interest Billing process. The Operator of an oil and gas property commonly is granted a contractual or statutory lien on Non-Operating Working Interest Holders'

interests in the oil and gas property to secure the payment of obligations owed to the Operator. As such, as I understand the law, failure to timely pay the Joint Interest Billings owing by the Debtors is likely to result in Operators asserting lien rights under applicable state laws on the Debtors' interests in the Oil and Gas Leases or the production therefrom. If asserted, such liens could restrict the Debtors' ability to dispose, transfer, or otherwise alienate its property, potentially severely impairing the Debtors' businesses.

102. In the 12 months before the Petition Date, the Debtors paid approximately $913,800 in Joint Interest Billings, exclusive of intercompany Joint Interest Billings. As of the Petition Date, the Debtors estimate that they have approximately $123,105 of prepetition Joint Interest Billings outstanding payable to non-Debtor third parties, of which approximately $43,449 will come due during the first twenty-five (25) days following the Petition Date.

Marketing Expenses

103. To effectively market or sell production from the Debtors' oil and gas properties, whether the Debtors are acting as an Operator or a Non-Operating Working Interest Holder taking its production "in-kind" from the Operator, the Debtors make contractual arrangements (the "Marketing Arrangements") by which third parties will charge the Debtors for gathering, transporting, storing, and marketing of oil and gas, as well as other similar services necessary or desirable to get production to market in a condition ready for sale, including treating, dehydrating, compressing, processing, and fractionating (such charges, collectively, the "Marketing Expenses," and collectively with the Working Interest Costs and Joint Interest Billings, the "Oil & Gas Obligations").

104. The Debtors' compliance with the Marketing Arrangements and timely payment of the Marketing Expenses is critical to the Debtors' ability to generate and receive revenue from

production that they market (the "Marketed Production"). I believe that failure to receive such revenue would directly threaten, and potentially eliminate, the Debtors' ability to make timely payments to third parties, including their suppliers and other parties in interest. Moreover, like shippers, warehouses, and materialmen relied on by companies in other industries, counterparties to Marketing Arrangements often have possession of, and may assert state law liens in or title to, the Debtors' Marketed Production. This includes, for example, Marketed Production presently in the possession of a trucking company or in pipeline systems, as applicable. Accordingly, I believe failure to pay Marketing Expenses when due could result in such counterparties refusing to release Marketed Production (or their associated revenues), or refusing to accept delivery of additional Marketed Production.

105. In instances where delivery of Marketed Production is refused, the Debtors may be forced to "shut-in" a well. Shutting in a well may have economic consequences to the Debtors beyond temporary cessation of production and revenue therefrom. For instance, once shut-in, a well may not be able to be returned to producing status in the future. Further, the act of shutting in a well can trigger obligations to other interest holders in that well, including payment obligations or potential forfeiture of the Debtors' interest under the terms of an Oil and Gas Lease. Without seamless compliance with their Marketing Arrangements and the ability to make marketable for sale the Debtors' production, the Debtors' revenue stream and the operation of their business potentially would be severely impaired.

106. With respect to Marketed Production, certain Marketing Expenses are generally deducted from the purchase price received by the Debtors and are incurred directly by the purchasers of the Marketed Production. Thus, the Debtors do not make cash payments on account of all of their Marketing Expenses. In the 12 months before the Petition Date, the Debtors have

paid approximately $66,743,925 in Marketing Expenses. As of the Petition Date, the Debtors estimate that they have approximately $8,425,151 of prepetition Marketing Expenses outstanding, of which approximately $4,595,537 will come due during the first twenty-five (25) days following the Petition Date.

503(b)(9) Claims

107. The Debtors may have received certain goods or materials for use in the Debtors' operations from various vendors (collectively, the "503(b)(9) Claimants") within the 20 days before the Petition Date. Many of the relationships with the 503(b)(9) Claimants are not governed by long-term contracts. Rather, the Debtors often obtain supplies on an order-by-order basis. The Debtors also believe certain 503(b)(9) Claimants could reduce the Debtors' existing trade credit—or demand payment in cash on delivery—further exacerbating the Debtors' limited liquidity. The Debtors believe that as of the Petition Date, they owe approximately $364,788 on account of goods delivered within the 20 days prior to the Petition Date.

Payment of Outstanding Orders

108. Prior to the Petition Date and in the ordinary course of business, the Debtors may have ordered goods that will not be delivered until after the Petition Date (the "Outstanding Orders"). The Debtors estimate they currently have $855 in Outstanding Orders. To avoid any assertion that their claims against the Debtors' estates with respect to such goods are general unsecured claims, certain suppliers may refuse to ship or transport such goods (or may recall such shipments) with respect to such Outstanding Orders unless the Debtors issue substitute purchase orders postpetition. I believe that receiving delivery of Outstanding Orders is critical to preventing any disruption to the Debtors' business operations.

Need for Relief

109. Based on the dire consequences that potentially could arise if the Debtors fail to honor the prepetition Oil and Gas Obligations, I believe that the requested herein represents a sound exercise of the Debtors' business judgment and is necessary to avoid immediate and irreparable harm to the Debtors' estates. Further, counterparties to Marketing Arrangements often have possession of and, as I understand the law, may assert a carrier's lien in the Debtors' Marketed Production. As a result, I believe that Operators, Mineral Contractors, and Marketing Arrangement counterparties may assert liens against the Debtors' assets and take actions to perfect those liens notwithstanding the automatic stay. If these parties were able to assert liens or rights of recoupment or setoff against the Debtors in the course of these chapter 11 cases, I believe the results would be detrimental to the Debtors and their estates. As I understand the law, these parties could assert liens against, among other things, the wells, the production and proceeds therefrom, or the Debtors' Working Interests (which are real property rights), as well as fixtures and equipment associated with the oil and gas properties.

110. The Debtors' ongoing ability to obtain certain goods (*e.g.*, tanks, valves, tubular goods, sucker rods, separators and flowlines required for the ongoing maintenance and construction of wells and production facilities) as provided in the JIB Motion is key to their survival and necessary to preserve the value of their estates. Absent payment of the 503(b)(9) Claims at the outset of these chapter 11 cases, I believe the Debtors could be denied access to the equipment and goods necessary to maintain the Debtors' business operations. I believe that failure to honor these claims in the ordinary course of business may also cause the Debtors' vendor base to withhold support for the Debtors during the chapter 11 process. Such vendors could accelerate or eliminate favorable trade terms. Needless to say, such costs and distractions could impair the

Debtors' ability to stabilize their operations at this critical juncture to the detriment of all stakeholders.

111. Absent the relief requested in the JIB Motion, the Debtors may be required to expend substantial time and effort reissuing the Outstanding Orders to provide certain suppliers with assurance of such administrative priority, as applicable. The attendant disruption to the continuous and timely flow of critical raw materials and other goods could disrupt the Debtors' business and lead to a loss of revenue, all to the detriment of the Debtors and their creditors. On behalf of the Debtors, I respectfully submit that the JIB Motion should be granted and that failure to do so on an emergency basis would severely disrupt the Debtors' operations at this critical juncture.

K. Debtors' Emergency Motion for Entry of an Order (I) Authorizing the Debtors to (A) Continue Their Insurance Coverage, (B) Pay All Insurance Obligations, (C) Maintain Their Surety Bonds, and (D) Pay All Bonding Obligations, and (II) Authorizing Financial Institutions to Honor and Process Related Checks and Transfers (the "Insurance Motion")

112. By the Insurance Motion, the Debtors seek entry of an order, among other things, (a) authorizing the Debtors to continue their Insurance Coverage, (b) pay all Insurance Obligations, (c) maintain their Surety Bonds, and (d) pay all Bonding Obligations.

Insurance Obligations

113. The Debtors maintain sixteen insurance policies, which are administered by various insurance carriers (collectively, the "Insurance Carriers") and purchased through the Debtors' insurance broker, Texas Series of Lockton Companies, LLC (the "Broker"). These policies provide coverage for, among other things, the Debtors' property, general liability, automobile liability, excess general liability, directors' and officers' liability, pollution liability, commercial crime, fiduciary liability, oil lease property, drilling, workover/re-entry/re-completion, worker's compensation, and other matters (collectively, the "Insurance Policies"). The Insurance Policies

provide coverage that is typical in scope and amount for businesses within the Debtors' industry. A schedule of the Insurance Policies is attached to the Insurance Motion as Exhibit A.

114. The total amount in annual premiums and payments associated with all of the Insurance Policies is approximately $1,970,633, which is paid by the Debtors to the Insurance Carriers or Broker, as applicable. The Insurance Policies generally renew on an annual basis in November of each year. The annual premiums are due for each of the Insurance Policies at the beginning of each particular policy period. The Debtors estimate that as of the Petition Date, the aggregate amount of Insurance Obligations that are accrued and outstanding is $162,468, with $49,696 coming due within the first 21 days of these chapter 11 cases.

115. The Debtors will need to maintain their insurance coverage throughout the duration of the Chapter 11 Cases. Continuation of the Insurance Policies, and entry into new insurance policies covering the Debtors, is essential to the preservation of the value of the Debtors' business, properties, assets, and operations. In some instances, continuation of the Insurance Policies is required by the regulations, laws, and contracts that govern the Debtors' commercial activities, including the requirement of the Office of the United States Trustee that a debtor maintain adequate coverage given the circumstances of its chapter 11 case.

Bonding Obligations

116. In the ordinary course of business, the Debtors are required by certain statutes or ordinances to provide surety bonds or other forms of credit support to certain third parties, often governmental units or other public agencies, to secure the payment or performance of certain obligations (each, a "Surety Bond," and collectively, the "Surety Bonds"), including conservation and environmental bonds, general performance obligation bonds, lease or land use bonds, and bonds guaranteeing plugging and abandonment commitments.

117. When a governmental unit or other public agency requests a bond, and the Debtors determine in their business judgment that they do not wish to use cash and cash equivalents on hand to satisfy such request, the Debtors may post a Surety Bond. The Surety (as defined herein) provide, upfront, the full amount of the requested cash and cash equivalents to the requesting party on behalf of the Debtors, in exchange for, among other things, a fee from the Debtors to secure the Surety Bond issuance on the Debtors' behalf. The issuance of a Surety Bond shifts the risk of the Debtors' nonperformance or nonpayment from the obligee to the Surety.

118. As of the Petition Date, the Debtors have two Surety Bonds outstanding with U.S. Specialty Insurance Company (the "Surety"), which provide approximately $2.25 million in aggregate Surety Bond coverage for facilities and assets leased, owned, or operated by the Debtors. A schedule of the Surety Bonds currently maintained by the Debtors is attached to the Insurance Motion as Exhibit B.

119. In consideration for the Surety's issuance of the Surety Bonds, the Debtors pay premiums to secure their obligations to the Surety. The premiums for the Surety Bonds generally are determined on an annual basis and are paid by the Debtors when the Surety Bonds are issued and annually upon renewal. In the twelve months preceding the Petition Date, the premiums for the Surety Bonds totaled approximately $48,689. As of the Petition Date, the Debtors do not believe there are any unpaid Bonding Obligations due and owing in connection with the Surety Bonds.

120. Further, certain of the Debtors are party to an indemnity agreement (the "Surety Indemnity Agreement", and together with the Surety Bonds, the "Surety Bond Program") with the Surety. Pursuant to the Surety Indemnity Agreement, the Debtors agree to indemnify the Surety from any liability, damage, loss, cost, or expense that such Surety may incur on account of the

issuance of any bonds on behalf of the Debtors. As of the Petition Date, the Debtors do not believe there are any unpaid prepetition obligations due and owing in connection with the Surety Indemnity Agreement.

121. The Debtors must maintain the Surety Bond Program to provide financial assurance to state governments, regulatory agencies, and certain other third parties to continue operations during this restructuring. Maintaining the Surety Bond Program entails paying Surety Bond premiums as they come due, providing the Surety with collateral (if necessary), renewing or potentially acquiring additional Surety Bonds as needed in the ordinary course of business, and executing related agreements, as appropriate. Failure to maintain, renew, or timely replace Surety Bonds likely would prevent the Debtors from undertaking essential functions related to their operations and could result in a forced cessation of their operations.

122. On behalf of the Debtors, I respectfully submit that the Insurance Motion should be granted and that failure to do so on an emergency basis would severely disrupt the Debtors' operations at this critical juncture.

III. Financing Motion

L. Debtors' Emergency Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Obtain Postpetition Financing, (II) Granting Adequate Protection to the Prepetition Secured Parties, (III) Authorizing the Use of Cash Collateral, (IV) Granting Liens and Superpriority Claims, (V) Modifying the Automatic Stay, and (VI) Scheduling a Final Hearing (the "DIP Motion")

123. By the DIP Motion, the Debtors seek entry of an order, among other things, (a) authorizing the Debtors to enter into a superpriority, priming secured debtor-in-possession revolving credit facility (the "DIP Facility") in an aggregate principal amount of $150 million, pursuant to the credit agreement attached to the DIP Motion as Schedule 1 to the Interim Order (the "DIP Credit Agreement") and certain ancillary documentation (together with the DIP Credit

Agreement, the "DIP Documents"), which DIP Facility consists of (i) $75 million (the "DIP Revolving Facility") and (ii) upon entry of the Final Order only, a $75 million roll up (the "Roll Up") of each DIP Lender's pro ratable share (based on the ratio of such DIP Lender's share of the DIP Facility) of the outstanding principal amount of the revolving loans under the Prepetition Credit Agreement (the "Revolving Loans"); and (b) authorizing the Debtors to use Cash Collateral, subject to the restrictions in the DIP Documents and the Interim Order and the granting of adequate protection to the Prepetition Secured Parties.

124. I believe that the Debtors require immediate access to the DIP Facility in addition to continued use of the Cash Collateral. The Debtors' business is cash intensive, with significant daily costs required to satisfy obligations to vendors and employees. As such, and due to their current limited liquidity, the Debtors require immediate access to the DIP Facility and the use of Cash Collateral to operate their business, preserve value, and avoid irreparable harm pending the Final Hearing.

125. The Debtors also rely on cash generated from their operations to fund working capital, capital expenditures, research and development efforts, and for other general corporate purposes. During the start of these chapter 11 cases, the Debtors will need this operating revenue to satisfy payroll, pay suppliers, meet overhead, pay expenses pursuant to joint operating agreements for properties operated by the Debtors, satisfy joint interest billings for properties where the Debtors are a non-operating working interest holder, and make any other payments that are essential for the continued management, operation, and preservation of the Debtors' business. The ability to satisfy these expenses when due is essential to the Debtors' continued operation of their business during the pendency of these cases.

126. Absent funds available from the DIP Facility, access to Cash Collateral, and the cooperation of key business partners at this critical early stage, the Debtors would face a value-destructive interruption to their business and be forced to lay off their employees and, simultaneously, eliminate their best chance for consummating a comprehensive and orderly restructuring, to the detriment of the Debtors, their estates, and their creditors. For all these reasons, the Debtors do not believe it would be prudent, or even possible, to administer these chapter 11 estates on a "cash collateral" basis, rendering postpetition financing a necessity.

127. As set forth in the Goel Declaration, the Debtors believe that the interest and fees to be paid under the DIP Facility are consistent with the market and are reasonable and appropriate, particularly in light of the circumstances of these chapter 11 cases and the robust marketing process undertaken, and represent the most favorable terms available to the Debtors. The Debtors considered the fees described above when determining in their sound business judgment that the DIP Facility constituted the best—and only—actionable terms on which the Debtors could obtain the postpetition financing necessary to continue their operations, prosecute their cases, and benefit the Debtors' estates.

128. Accordingly, I believe that the Court should grant the relief requested in the DIP Motion.