



ENTERED  
04/15/2016

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

<b>In re:</b>	§	<b>Case No. 16-31928</b>
	§	
<b>ENERGY XXI LTD, et al.,</b>	§	<b>(Chapter 11)</b>
	§	
	§	<b>(Jointly Administered)</b>
<b>Debtors.<sup>1</sup></b>	§	<b>(Emergency Hearing Requested)</b>

**INTERIM ORDER PURSUANT TO 11 U.S.C. §§ 105, 361,  
362, 363 AND 507, BANKRUPTCY RULES 2002, 4001 AND 9014 AND  
BANKRUPTCY LOCAL RULE 4001-1 (I) AUTHORIZING DEBTORS’ LIMITED  
USE OF CASH COLLATERAL, (II) GRANTING ADEQUATE PROTECTION  
TO THE PREPETITION SECURED PARTIES, (III) MODIFYING  
THE AUTOMATIC STAY AND (IV) SCHEDULING A FINAL HEARING**

(Docket No. 29)

Upon the motion (the “Motion”), dated April 14, 2016, of the above-referenced debtors, as debtors in possession (collectively, the “Debtors”) in the above-captioned cases (the “Cases”), pursuant to sections 105, 361, 362, 363 and 507 of title 11 of the United States Code, 11 U.S.C. §§, et seq. (the “Bankruptcy Code”), Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), Rule 4001-1(b) of the Bankruptcy Local Rules for the Southern District of Texas (the “Bankruptcy Local Rules”), and the Procedures for Complex Chapter 11 Bankruptcy Cases (the “Complex Case Rules”) promulgated by the United

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<sup>1</sup> The Debtors in these chapter 11 cases and the last four digits of their respective federal tax identification numbers are: Anglo-Suisse Offshore Pipeline Partners, LLC (9562), Delaware EPL of Texas, LLC (9562), Energy Partners Ltd., LLC (9562), Energy XXI GOM, LLC (0027), Energy XXI Gulf Coast, Inc. (8595), Energy XXI Holdings, Inc. (1638), Energy XXI, Inc. (2108), Energy XXI Leasehold, LLC (8121), Energy XXI Ltd (9286), Energy XXI M21K, LLC (7722), Energy XXI Natural Gas Holdings, Inc. (7517), Energy XXI Offshore Services, Inc. (4711), Energy XXI Onshore, LLC (0308), Energy XXI Pipeline, LLC (5863), Energy XXI Pipeline II, LLC (8238), Energy XXI Services, LLC (3999), Energy XXI Texas Onshore, LLC (0294), Energy XXI USA, Inc. (8552), EPL of Louisiana, L.L.C. (9562), EPL Oil & Gas, Inc. (9562), EPL Pioneer Houston, Inc. (9749), EPL Pipeline, L.L.C. (1048), M21K, LLC (3978), MS Onshore, LLC (8573), Natural Gas Acquisition Company I, LLC (0956), Nighthawk, L.L.C. (9562), and Soileau Catering, LLC (2767). The location of the Debtors’ U.S. corporate headquarters and the Debtors’ service address is: 1021 Main Street, Suite 2626, Houston, Texas 77002.

States Bankruptcy Court for Southern District of Texas (the “Court”), seeking, among other things:

- (a) authorization for the Debtors, pursuant to sections 105, 361, 362, 363 and 507 of the Bankruptcy Code to (i) use cash collateral, as such term is defined in section 363(a) of the Bankruptcy Code (“Cash Collateral”), and all other Prepetition Collateral (as defined herein), solely in accordance with the terms of this order (this “Interim Order”), and (ii) provide adequate protection to:
  - (1) Wells Fargo Bank, N. A., as successor Administrative Agent to The Royal Bank of Scotland plc (in such capacity, the “First Lien Agent”) under the First Lien Credit Agreement (as defined herein), and the other First Lien Secured Parties (as defined herein); and
  - (2) U.S. Bank National Association, as Indenture Trustee and Collateral Trustee (in such capacities, the “Second Lien Trustee” and, collectively with the First Lien Agent, the “Prepetition Agents”) under the Second Lien Indenture (as defined herein), and the other Second Lien Secured Parties (as defined herein);
- (b) subject to entry of the Final Order (as defined herein), authorization to grant adequate protection liens on the proceeds and property recovered in respect of the Debtors’ claims and causes of action (but not on the actual claims and causes of action) arising under sections 544, 545, 547, 548, 549 and 550 of the Bankruptcy Code or any other state or federal law (collectively, the “Avoidance Actions”);
- (c) modifying the automatic stay imposed by section 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the terms and provisions of this Interim Order and the Final Order;
- (d) subject to entry of the Final Order, except to the extent of the Carve Out (as defined herein) the waiver of all rights to surcharge any Prepetition Collateral or Collateral (as defined herein) under sections 506(c) or 552(b) of the Bankruptcy Code or any other applicable principle of equity or law;
- (e) that this Court hold an interim hearing (the “Interim Hearing”) to consider the relief sought in the Motion and entry of the proposed Interim Order;
- (f) that this Court schedule a final hearing (the “Final Hearing”) to consider entry of a final order (the “Final Order”) granting the relief requested in the Motion on a final basis; and
- (g) waiver of any applicable stay with respect to the effectiveness and enforceability of the Interim Order or the Final Order (including a waiver pursuant to Bankruptcy Rule 6004(h));

and the Interim Hearing having been held by the Court on April 15, 2016; and pursuant to Bankruptcy Rule 4001, Local Bankruptcy Rule 4001-1 and the Complex Case Rules, notice of the Motion and the relief sought at the Interim Hearing having been given by the Debtors to as set forth herein; and the Court having considered the Budget (defined below) filed and served by the Debtors in accordance with the Complex Case Rules, offers of proof, evidence adduced, and the statements of counsel at the Interim Hearing; and it appearing to the Court that granting the relief sought in the Motion on the terms and conditions herein contained is necessary and essential to enable the Debtors to preserve the value of the Debtors' businesses and assets and that such relief is fair and reasonable and that entry of this Interim Order is in the best interest of the Debtors and their respective estates and creditors; and due deliberation and good cause having been shown to grant the relief sought in the Motion,

**IT IS HEREBY FOUND AND DETERMINED THAT:**

A. **Petition Date.** On April 14, 2016 (the "Petition Date"), Energy XXI Gulf Coast, Inc. ("EXXI") and each of the other Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Southern District of Texas. Each Debtor has continued with the management and operation of its respective businesses and properties as a debtor in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. No trustee or examiner has been appointed in the Cases.

B. **First Lien Credit Agreement.** Prior to the Petition Date, the First Lien Secured Lenders (as defined herein) made certain loans and advances pursuant to and in accordance with the terms and conditions of that certain Second Amended and Restated First Lien Credit Agreement, dated as of May 5, 2011 (as heretofore amended, restated, or otherwise modified from time to time, the "First Lien Credit Agreement," and together with all other

documentation executed in connection therewith, the “First Lien Loan Documents”), among, inter alia, EXXI, as Borrower, EPL Oil & Gas, Inc. (“EPL”), as additional borrower, the First Lien Agent, the lenders from time to time party thereto (such lenders, the “First Lien Secured Lenders”), the issuers of letters of credit thereunder (“Issuers”) and each other “Secured Party” (as defined in the First Lien Credit Agreement) (the First Lien Agent, the First Lien Secured Lenders, the Issuers and the other Secured Parties, collectively, the “First Lien Secured Parties”).

C. **Second Lien Indenture.** Prior to the Petition Date, EXXI issued those certain 11.00% Senior Secured Second Lien Notes Due 2020 (the “Second Lien Notes”) pursuant to and in accordance with the terms and conditions of that certain Indenture, dated as of March 12, 2015 (as heretofore amended, supplemented or otherwise modified from time to time, the “Second Lien Indenture,” and together with all other documentation executed in connection therewith, the “Second Lien Documents”), among inter alia, EXXI, as Issuer, each of the guarantors party thereto and the Second Lien Trustee (the Second Lien Trustee, together with the holders of the Second Lien Notes, the “Second Lien Secured Parties”). The First Lien Loan Documents and the Second Lien Documents are referred to collectively in this Interim Order as the “Prepetition Debt Documents,” and the First Lien Secured Parties and Second Lien Secured Parties are referred to herein collectively as the “Prepetition Secured Parties.”

D. **Debtors’ Admissions With Respect to the First Lien Prepetition Indebtedness.** Subject to entry of the Final Order, without prejudice to the rights, if any, of any other party (but subject to the limitations thereon described herein in paragraph 18), the Debtors admit, stipulate and agree that:

- i. As of the Petition Date, the Debtors that are the Borrower and the Guarantors (other than EPL Obligor) (as such terms are defined in the

First Lien Loan Documents) under the First Lien Loan Documents were justly and lawfully indebted and liable, without defense, counterclaim, or offset of any kind, to the (x) First Lien Secured Lenders in the aggregate principal amount of approximately \$99,412,450.40 in respect of loans and other financial accommodations made (the “EPL Loans”) and in the aggregate face amount of \$227,742,500.00 in respect of letters of credit issued by the Issuers pursuant to, and in accordance with, the First Lien Loan Documents and (y) holders of Bank Product Obligations (as defined in the First Lien Credit Agreement) in amounts yet to be determined, plus accrued and unpaid interest, fees and costs and expenses including, without limitation, attorney’s fees, agent’s fees, other professional fees and disbursements and other obligations owing under the First Lien Loan Documents (collectively, the “EXXI First Lien Prepetition Indebtedness”); provided, however, Debtor Energy XXI USA, Inc. is only liable under the EXXI First Lien Prepetition Indebtedness to the extent set forth in that certain Second Amended and Restated Limited Recourse Guaranty, dated as of May 5, 2011 (as amended), by and between EXXI, Energy XXI USA, Inc., the First Lien Agent and the First Lien Secured Parties.

- ii. As of the Petition Date, the Debtors that are the EPL Obligors under the First Lien Loan Documents were justly and lawfully indebted and liable with the Guarantors, without defense, counterclaim, or offset of any kind, to (x) the First Lien Secured Lenders for the EPL Loans and (y) holders of Bank Product Obligations in amounts yet to be determined, plus accrued

and unpaid interest, fees and costs and expenses including, without limitation, attorney's fees, agent's fees, other professional fees and disbursements and other obligations owing by the EPL Obligors under the First Lien Loan Documents (collectively, the "EPL First Lien Prepetition Indebtedness," and together with the EXXI First Lien Prepetition Indebtedness, the "First Lien Prepetition Indebtedness").

- iii. The First Lien Prepetition Indebtedness constitutes the legal, valid and binding obligations of the Debtors, enforceable in accordance with their terms, and no portion of the First Lien Prepetition Indebtedness or any amounts paid to the First Lien Secured Parties or applied to the obligations owing under the First Lien Loan Documents prior to the Petition Date is subject to avoidance, subordination, recharacterization, recovery, attack, offset, counterclaim, defense, challenge or Claim (as defined in section 101(5) of the Bankruptcy Code) of any kind pursuant to the Bankruptcy Code or applicable non-bankruptcy law.

**E. Debtors' Admissions with Respect to the Second Lien Prepetition Indebtedness.** Subject to entry of the Final Order, and without prejudice to the rights, if any, of any other party (but subject to the limitations thereon described herein in paragraph 18), the Debtors admit, stipulate and agree that:

- i. As of the Petition Date, EXXI and the Debtors that are Guarantors (as such term is defined in the Second Lien Indenture) were justly and lawfully indebted and liable, without defense, counterclaim, or offset of any kind, to the Second Lien Secured Parties in the aggregate principal

amount of \$1,450,000,000 in respect of the Second Lien Notes pursuant to, and in accordance with, the Second Lien Documents, plus accrued and unpaid interest, premiums, fees and costs and expenses, including, without limitation, attorney's fees, trustee's fees, other professional fees and disbursements, and other obligations owing under the Second Lien Documents, including all amounts due pursuant to Section 6.02 of the Second Lien Indenture (including, without limitation, the Applicable Premium (as defined in the Second Lien Indenture)) (collectively, the "Second Lien Prepetition Indebtedness," and together with First Lien Prepetition Indebtedness, the "Prepetition Indebtedness").

- ii. The Second Lien Prepetition Indebtedness constitutes the legal, valid and binding obligations of EXXI and the Debtors that are Guarantors under the Second Lien Documents, enforceable in accordance with their terms, and no portion of the Second Lien Prepetition Indebtedness or any amounts paid to the Second Lien Secured Parties or applied to the obligations owing under the Second Lien Documents prior to the Petition Date is subject to avoidance, subordination, recharacterization, recovery, attack, offset, counterclaim, defense, challenge or Claim (as defined in section 101(5) of the Bankruptcy Code) of any kind pursuant to the Bankruptcy Code or applicable non-bankruptcy law.

**F. Debtors' Admissions With Respect to Prepetition Collateral and Liens.** Subject to entry of the Final Order, and without prejudice to the rights, if any, of any

other party (but subject to the limitations thereon described herein in paragraph 18), the Debtors admit, stipulate and agree that:

- i. Pursuant to (a) that certain Amended and Restated First Lien Pledge and Security Agreement and Irrevocable Proxy, dated as of March 31, 2015, by the Borrower and each subsidiary of the Borrower (other than the EPL Obligors) (as such terms are defined in the First Lien Loan Documents) in favor of the First Lien Agent, (b) that certain Amended and Restated First Lien Pledge and Security Agreement and Irrevocable Proxy, dated as of March 31, 2015, by the EPL Obligors (as such term is defined in the First Lien Loan Documents) in favor of the First Lien Agent, (c) that certain Second Amended and Restated First Lien Pledge Agreement and Irrevocable Proxy, dated as of May 5, 2011, by Energy XXI USA, Inc. (together with all amendments, modifications and supplements thereto prior to the Petition Date, the "EXXI USA Pledge"), (d) that certain First Lien Security Agreement, dated as of March 12, 2015, made by Energy XXI USA, Inc. in favor of the First Lien Agent (together with all amendments, modifications and supplements thereto prior to the Petition Date, the "EXXI USA Security Agreement") and (e) certain mortgages, deeds of trust or similar security documents entered into by any loan party and the First Lien Agent in respect of the properties owned by such loan party (each of (a) to (e) as heretofore amended, restated or otherwise modified from time to time, and, collectively with any and all other agreements, instruments, certificates, fixture filings, transmitting utility



filings, financing statements, control agreements, consents, assignments or other similar documents, the “First Lien Collateral Documents”), the Debtors have granted valid, binding, perfected and enforceable first priority liens upon and security interests in substantially all of the real and personal property of the EPL Obligors, the Borrower and the Guarantors, all as more fully described in the First Lien Collateral Documents, including, without limitation, all equipment, all inventory, all oil, gas and other hydrocarbons and all products and substances derived therefrom (including all raw materials and work in process therefore, finished goods thereof, and materials used or consumed in the manufacture or production thereof), all goods, all accounts, cash, payment intangibles, deposit accounts, accounts receivable, other rights to payment, general intangibles, contracts, servicing rights, servicing receivables, securities, chattel paper, all interest rate hedging agreements, commodity hedging agreements and similar agreements, owned real estate, real property leaseholds, oil and gas leases, fixtures, patents, copyrights, trademarks, trade names, rights under license agreements and other intellectual property, claims and causes of action and any other real or personal property of the Debtors, and in each case, the cash and noncash proceeds and other rights arising therefrom (collectively, including the Cash Collateral and the setoff rights described in the First Lien Loan Documents or arising by operation of law, the “Prepetition Collateral”) to the First Lien Agent for the benefit of the First Lien Secured Parties to secure the First Lien Prepetition Indebtedness,

subject only to specific permitted exceptions under the First Lien Loan Documents, including the liens granted by the EPL Obligors securing the Intercompany Note (as defined in the First Lien Credit Agreement); provided, however, that the liens on Prepetition Collateral held by Debtor Energy XXI USA, Inc. are limited to the collateral set forth in the EXXI USA Pledge and the EXXI USA Security Agreement.

- ii. Pursuant to (a) that certain Second Lien Pledge and Security Agreement and Irrevocable Proxy, dated as of March 12, 2015 (as amended, supplemented, amended and restated or otherwise modified from time to time) among EXXI and each Subsidiary Guarantor (as defined in the Second Lien Indenture) party thereto in favor of the Second Lien Trustee for the ratable benefit of the Second Lien Secured Parties, (b) that certain Second Lien Pledge Agreement and Irrevocable Proxy, dated as of March 12, 2015 (as amended, supplemented, amended and restated or otherwise modified from time to time), by Energy XXI USA, Inc., a Delaware corporation, in favor of the Second Lien Trustee for the ratable benefit of the Second Lien Secured Parties, (c) that certain Second Lien Security Agreement, dated as of March 12, 2015 (as amended, supplemented, amended and restated or otherwise modified from time to time), by Energy XXI USA, Inc., in favor of the Second Lien Trustee for the ratable benefit of the Second Lien Secured Parties, and (d) certain mortgages, deeds of trust or similar security documents entered into by any loan party and the Second Lien Trustee for the benefit of the Second Lien Secured Parties in

respect of the properties owned by such loan party (as heretofore amended, restated, or otherwise modified from time to time, and, collectively with any and all other agreements, instruments, certificates, fixture filings, transmitting utility filings, financing statements, control agreements, consents, assignments or other similar documents, the “Second Lien Collateral Documents”), the Debtors have granted valid, binding, perfected and enforceable second priority liens upon and security interests in the Prepetition Collateral, subject in each case to the terms of the Second Lien Collateral Documents, the Intercreditor Agreement, dated as of March 12, 2015, among EXXI, EPL, the First Lien Agent and the Second Lien Trustee (“Intercreditor Agreement”), and permitted exceptions under the First Lien Credit Agreement, including the liens granted by the EPL Obligors securing the Intercompany Note (as defined in the First Lien Credit Agreement) and the Second Lien Indenture, to the Second Lien Trustee for the benefit of the Second Lien Secured Parties to secure the Second Lien Prepetition Indebtedness.

- iii. The First Lien Agent’s first priority liens upon and security interests in the Prepetition Collateral, for the ratable benefit of the First Lien Secured Parties, and the Second Lien Trustee’s second priority liens upon and security interests in the Prepetition Collateral, for the ratable benefit of the Second Lien Secured Parties, are not subject to avoidance, subordination, recharacterization, recovery, attack, offset, counterclaim, defense, challenge or Claim (as defined in section 101(5) of the Bankruptcy Code)

of any kind pursuant to the Bankruptcy Code or applicable non-bankruptcy law.

- iv. The First Lien Agent's first priority liens upon and security interests in the Prepetition Collateral, for the ratable benefit of the First Lien Secured Parties, and the Second Lien Trustee's second priority liens upon and security interests in the Prepetition Collateral, for the ratable benefit of the Second Lien Secured Parties, are senior in all respects to any and all liens on Prepetition Collateral granted to EXXI pursuant to that certain Second Lien Pledge and Security Agreement and Irrevocable Proxy, dated as of March 12, 2015 (as amended, supplemented, amended and restated or otherwise modified from time to time, the "Intercompany Security Agreement"), made by EPL and each other Subsidiary Guarantor (as defined in the Intercompany Security Agreement) in favor of EXXI to secure that certain Secured Second Lien Promissory Note, dated as of March 12, 2015, issued by EPL payable to EXXI.

**G. Debtors' Admissions With Respect to Cash Collateral.** Subject to the entry of the Final Order, and without prejudice to the rights, if any, of any other party (but subject to the limitations thereon described herein in paragraph 18), the Debtors admit, stipulate and agree that all cash, including all cash proceeds of the Prepetition Collateral, in the Borrower's and Guarantors' (as such terms are defined in the First Lien Loan Documents) banking, checking or other deposit accounts with financial institutions (in each case, other than trust, escrow and custodial funds held as of the Petition Date) as of the Petition Date or deposited into the Borrower's and Guarantors' (as such terms are defined in the First Lien Loan

Documents) banking, checking or other deposit accounts with financial institutions after the Petition Date that is property of the Debtors constitutes Cash Collateral of the Prepetition Secured Parties within the meaning of section 363(a) of the Bankruptcy Code. The Prepetition Secured Parties are entitled, pursuant to sections 105, 361, 362 and 363(e) of the Bankruptcy Code, to adequate protection of their interest in the Prepetition Collateral, including the Cash Collateral, for any diminution in value of the Prepetition Collateral, including, without limitation, resulting from the use of Cash Collateral and/or the imposition of the automatic stay pursuant to section 362(a) of the Bankruptcy Code.

H. **Releases; Investigation.** Subject to the entry of the Final Order, and without prejudice to the rights of any other party (but subject to the limitations thereon described herein in paragraph 18), each Debtor hereby forever waives and releases any and all Claims (as defined in section 101(5) of the Bankruptcy Code), counterclaims, causes of action, defenses or setoff rights against each of the Prepetition Secured Parties, whether arising at law or in equity, including any recharacterization, subordination, avoidance or other claim arising under or pursuant to section 105 or chapter 5 of the Bankruptcy Code or under any other similar provisions of applicable state or federal law.

I. **Need to Use Cash Collateral.** The Debtors have requested immediate entry of this Interim Order pursuant to Bankruptcy Rule 4001(b)(2), Bankruptcy Local Rule 4001-1 and the Complex Case Rules and have an immediate need to obtain use of the Collateral, including the Cash Collateral (in the amount and in the manner set forth in the Budget (as defined herein)) in order to, among other things, preserve and maintain the value of their assets and businesses and maximize the return to all creditors. An immediate and critical need exists for the Debtors to use the Cash Collateral, consistent with the Budget (as defined herein), for

working capital purposes, other general corporate purposes of the Debtors, and the satisfaction of costs and expenses of administering the Cases. The Debtors are unable to obtain adequate unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense. The ability of the Debtors to obtain liquidity through the use of the Cash Collateral is vital to the Debtors and their efforts to maximize the value of their assets. Absent entry of this Interim Order, the Debtors' estates and reorganization efforts will be immediately and irreparably harmed.

J. **Notice.** Notice of the requested relief sought at the Interim Hearing was provided by the Debtors to: (a) United States Trustee for the Southern District of Texas (the "United States Trustee"); (b) the holders of the 50 largest unsecured claims against the Debtors (on a consolidated basis); (c) the First Lien Agent; (d) counsel to the First Lien Agent; (e) the Second Lien Trustee; (f) counsel to the ad hoc committee of Second Lien Noteholders; (g) the indenture trustee under the Debtors' 8.25% senior notes due 2018; (h) the indenture trustee under the Debtors' 6.875% senior notes due 2024; (i) the indenture trustee under the Debtors' 3.00% senior convertible notes due 2018; (j) the indenture trustee under the Debtors' 7.50% senior notes due 2021; (k) the indenture trustee under the Debtors' 7.75% senior notes due 2019; (l) the indenture trustee under the Debtors' 9.25% senior notes due 2017; (m) the United States Attorney's Office for the Southern District of Texas; (n) the Internal Revenue Service; (o) the United States Securities and Exchange Commission; (p) the Environmental Protection Agency and similar state environmental agencies for states in which the Debtors conduct business; (q) the state attorneys general for states in which the Debtors conduct business; and (r) any party that has requested notice pursuant to Bankruptcy Rule 2002. Given the nature of the relief sought, the foregoing notice of the Interim Hearing was, in the Debtors' good faith belief, the best

available under the circumstances and complies with Bankruptcy Rules 2002, 4001(b) and (d) and 9014, Bankruptcy Local Rule 4001-1, the Complex Case Rules and section 102(1) of the Bankruptcy Code as required by sections 361 and 363 of the Bankruptcy Code. No further notice of, or hearing on, the relief sought at the Interim Hearing and the relief granted herein is necessary or required.

K. **Consent by Prepetition Secured Parties.** The First Lien Agent consents to the Debtors' use of Cash Collateral, in accordance with and subject to the terms and conditions provided for in this Interim Order. The Second Lien Secured Parties' consent is subject to the terms of the Intercreditor Agreement.

L. **Jurisdiction and Venue.** Consideration of the Motion constitutes a "core-proceeding" as defined in 28 U.S.C. § 157(b)(2). This Court has jurisdiction over this proceeding and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157 and 1334. Venue for the Cases and the proceedings on the Motion is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

M. **Relief Essential; Best Interest.** The Debtors have requested immediate entry of this Interim Order pursuant to Bankruptcy Rule 4001(b)(2), Bankruptcy Local Rule 4001-1 and the Complex Case Rules. The relief requested in the Motion (and as provided in this Interim Order) is necessary, essential and appropriate for the continued operation of the Debtors' businesses and the management and preservation of the Debtors' assets and the property of their estates. It is in the best interest of the Debtors' estates that the Debtors be allowed to use the Cash Collateral under the terms hereof. The Debtors have demonstrated good and sufficient cause for the relief granted herein.

N. **Arm's-Length, Good Faith Negotiations.** The terms of this Interim Order were negotiated in good faith and at arm's-length between the Debtors and the First Lien Secured Parties.

**NOW, THEREFORE, UPON THE RECORD OF THE PROCEEDINGS HERETOFORE HELD BEFORE THIS COURT WITH RESPECT TO THE MOTION, THE EVIDENCE ADDUCED AT THE INTERIM HEARING, AND THE STATEMENTS OF COUNSEL THEREAT, IT IS HEREBY ORDERED THAT:**

1. **Motion Granted.** The Motion is granted in accordance with the terms of this Interim Order. Any objections to the Motion with respect to the entry of this Interim Order that have not been withdrawn, waived or settled and all reservations of rights included therein, are hereby denied and overruled.

2. **Authorization to Use Cash Collateral.** Subject to the terms and conditions of this Interim Order, the Court hereby authorizes the Debtors' use of Cash Collateral during the period beginning with the Petition Date and ending on the Termination Date (as defined herein), solely and exclusively for the disbursements set forth in the budget attached as Exhibit 1 hereto (as such budget may be modified from time to time by the Debtors with the prior written consent of the First Lien Agent as set forth in this paragraph and in paragraph 3.(f)(v) of this Interim Order, the "Budget"), and for no other purposes. The Debtors shall adhere to the Budget on a line-by-line basis during the initial four week period set forth in the Budget in effect at such time (each such initial four week period, the "Budget Period"), with no carry-over surplus to any other line item(s), except to the extent agreed to in writing as set forth herein in this paragraph; provided, however, that (a) to the extent the amount budgeted for any line item during a particular week exceeds the amount actually paid in respect of such line



item during such week (the difference between the budgeted amount and the amount actually paid, the "Line Item Carry Forward"), the Debtors shall be authorized to use the Line Item Carry Forward toward expenses of the same line item during any subsequent week thereafter during the Budget Period or the four week period immediately thereafter (in each case, solely to the extent that the amount actually paid during such subsequent week exceeds the amount budgeted); and (b) with respect to each line item in the Budget, the Debtors may use Cash Collateral in excess of that set forth in the Budget for that particular line item for each Budget Period so long as the percentage deviation ("Permitted Deviation") for all line items during such Budget Period shall not exceed fifteen percent (15%), in the aggregate, of the amount set forth in the Budget for all line items for such Budget Period); provided, further, that the Budget restrictions, including the line item testing, in this paragraph shall not apply to the line item entitled "Professional Fees." The First Lien Agent may, in its sole discretion, agree in writing to the use of Cash Collateral in a manner or amount which does not conform to the Budget (other than Permitted Deviations and the Line Item Carry Forward) (each such use of Cash Collateral, a "Non-Conforming Use"). If such written consent is given, the Debtors shall be authorized pursuant to this Interim Order to use Cash Collateral for any such Non-Conforming Use without further Court approval, and the Prepetition Secured Parties shall be entitled to all of the protections specified in this Interim Order for any such use of Cash Collateral. The Debtors shall provide notice of any Non-Conforming Use to the United States Trustee, counsel to the ad hoc committee of Second Lien Noteholders, and, following formation of an official committee of unsecured creditors appointed in these Cases, if any, (the "Committee"), counsel for the Committee. Notwithstanding the foregoing, the Debtors shall not be permitted to use Cash

Collateral on deposit with Regions Bank in that certain restricted account having the last four digits of (1206), consisting of approximately \$30 million (the “Blocked Account”).

3. **Adequate Protection for the First Lien Secured Parties.** In addition to all the existing security interests and liens granted to or for the benefit of the First Lien Secured Parties in and with respect to the Prepetition Collateral, including the Cash Collateral, as adequate protection for, and to secure payment of an amount equal to the Collateral Diminution (as defined herein), and as an inducement to the First Lien Secured Parties to permit the Debtors’ use of the Cash Collateral as provided for in this Interim Order, the Debtors hereby grant the following:

(a) **Adequate Protection Liens.** Effective as of the Petition Date and in each case perfected without the necessity of the execution by the Debtors (or recordation or other filing) of security agreements, control agreements, pledge agreements, financing statements, mortgages or other similar documents, or by possession or control, the following security interests and liens are hereby granted to the First Lien Agent, for the benefit of the First Lien Secured Parties, (all property identified in clauses (i) and (ii) of this paragraph 3.(a) being collectively referred to as the “Collateral”), subject only to the Carve-Out (as defined herein) (all such liens and security interests, the “First Lien Adequate Protection Liens”) to secure payment of an amount equal to the Collateral Diminution:

(i) **Liens Senior to Other Liens.** A valid, binding, continuing, enforceable, fully-perfected first priority senior priming security interest in and lien on the Prepetition Collateral and all other of the Debtors’ now owned and hereafter-acquired real and personal property, assets and rights of any kind or nature, wherever located, including, without limitation, all prepetition and postpetition property of the Debtors’ estates, and the proceeds, products, rents and profits thereof, whether arising from section 552(b) of the Bankruptcy Code or otherwise, including, without limitation, all equipment, all inventory, all oil, gas and other hydrocarbons and all products and substances derived therefrom (including all raw materials and work in process therefore, finished goods thereof, and materials used or consumed in the manufacture or production thereof), all goods, all accounts, cash, payment intangibles, deposit accounts, accounts receivable, other rights to payment, general intangibles, contracts, servicing rights, servicing receivables, securities, chattel paper, all interest rate hedging agreements, commodity hedging agreements and similar agreements, owned real estate, real property leaseholds, oil and gas leases, fixtures, patents, copyrights, trademarks, trade names, rights under license

agreements and other intellectual property, claims and causes of action and all proceeds of the foregoing (other than causes of action arising under the Bankruptcy Code, including, all Avoidance Actions; provided that such First Lien Adequate Protection Liens, subject to entry of the Final Order, shall have recourse to the proceeds or property recovered in respect of any Avoidance Actions), senior to any other security interests or liens, subject only to valid, perfected and enforceable prepetition liens (if any) which are senior to the First Lien Secured Parties' liens or security interests as of the Petition Date or to valid and unavoidable liens in existence immediately prior to the Petition Date that are perfected subsequent to the Petition Date as permitted by section 546(b) of the Bankruptcy Code.

(ii) **Liens Junior to Existing Liens.** A valid, binding, continuing, enforceable, fully-perfected junior lien on and security interest in all prepetition and postpetition property of the Debtors (other than the property described in clause (i) of this paragraph 3.(a)), whether now existing or hereafter acquired, that is subject to valid, perfected and unavoidable liens in existence immediately prior to the Petition Date or to valid and unavoidable liens in existence immediately prior to the Petition Date that are perfected subsequent to the Petition Date as permitted by section 546(b) of the Bankruptcy Code.

(b) **Adequate Protection Claims.** An allowed administrative expense claim against each of the Debtors on a joint and several basis with priority over all other administrative claims in the Cases (subject only to the Carve-Out), including all claims of the kind specified under sections 503(b) and 507(b) of the Bankruptcy Code (the "First Lien Adequate Protection Claims"), which administrative claim shall have recourse to and be payable from all prepetition and postpetition property of the Debtors, excluding the Carve-Out, and including, without limitation, subject to entry of the Final Order, the proceeds or property recovered in respect of any Avoidance Actions.

(c) **Adequate Protection Payments.** The Debtors are authorized and directed to pay to the First Lien Agent for the ratable benefit of the First Lien Secured Parties, adequate protection payments on the last business day of each calendar month after the entry of this Interim Order, in each case, in an amount equal to all accrued and unpaid prepetition or postpetition interest, fees and costs due and payable under the First Lien Credit Agreement (including, without limitation, interest on loans, breakage costs and accrued fees owing to the First Lien Agent), and in each case, such payments calculated based on the Alternate Base Rate (as defined in the First Lien Credit Agreement) plus 2.75%, which is the Applicable Margin under the First Lien Credit Agreement; provided that additional interest on the First Lien Prepetition Indebtedness at the post-default rate of two percent (2%) as provided in Section 3.2.2 of the First Lien Credit Agreement (the "Default Spread") shall continue to accrue and shall be added to the aggregate allowed amount of the First Lien Prepetition Indebtedness. For the avoidance of doubt, the payment of interest pursuant to this paragraph shall be without prejudice to the rights of the First Lien Agent and the First Lien Secured Parties to assert claims for

payment of additional interest at any other rates in accordance with the First Lien Credit Agreement and/or to request current payment of the Default Spread. To the extent that any cash payment as adequate protection pursuant to this section 3(c) of this Interim Order is not allowed under section 506(b) of the Bankruptcy Code and not allowed on any other basis (including, without limitation, on account of the Debtors' use of Prepetition Collateral), the Debtors reserve the right to argue that such payment should be recharacterized and applied to reduce permanently the principal owed under the First Lien Loan Documents, and the First Lien Secured Parties reserve the right to oppose such relief on any and all grounds.

(d) **Other Covenants.** The Debtors shall maintain their cash management arrangements in a manner consistent with the interim order granting the *Emergency Motion for Entry of Interim and Final Orders (I) Authorizing (A) Maintenance of the Existing Cash Management System, (B) Continued Use of Existing Checks and Business Forms, and (C) Continued Intercompany Arrangements and (II) Granting Related Relief*, entered or to be entered substantially contemporaneously herewith. The Debtors shall not use, sell or lease any material assets with an aggregate fair market value in excess of \$1,000,000 outside the ordinary course of business, or seek authority of this Court to do any of the foregoing, without prior consultation with the First Lien Agent at least five (5) business days prior to the date on which the Debtors seek the authority of this Court for such use, sale or lease; for the avoidance of doubt nothing herein shall limit the Debtors' right to use, sell, or lease assets in the ordinary course of business, including in connection with any "farm-in," "farm-out," or trade or swap of oil and gas properties where the aggregate PV-10 of the related oil and gas properties at the time of such "farm-in," "farm-out," or trade or swap is less than or equal to \$500,000. The Debtors shall comply with the covenants contained in Section 7.1.4 of the First Lien Credit Agreement regarding the maintenance and insurance of the Prepetition Collateral and the Collateral.

(e) **Fees and Expenses.** As additional adequate protection, the Debtors shall pay in cash: (i) immediately upon the entry of this Interim Order, the reasonable professional fees, expenses and disbursements (including, but not limited to, the fees, expenses and disbursements of counsel and other third-party consultants, including financial advisors) incurred by the First Lien Agent under the First Lien Credit Agreement arising prior to the Petition Date; (ii) the reasonable professional fees, expenses and disbursements (including, but not limited to, the fees, expenses and disbursements of counsel and other third-party consultants, including financial advisors) incurred by the First Lien Agent under the First Lien Credit Agreement arising subsequent to the Petition Date; and (iii) the reasonable legal fees, expenses and disbursements of the other Secured Parties incurred after the Petition Date in connection with any investigation of such Secured Parties pursuant to paragraph 18 of this Interim Order and any request for standing to pursue claims against such Secured Parties. The payment of the fees, expenses and disbursements set forth in this paragraph 3(e) of this Interim Order (including professional fees and expenses of Willkie Farr & Gallagher LLP, RPA Advisors, LLC and any other professionals or advisors retained by or on behalf of the First Lien Agent) shall be made within ten (10) business days after the receipt by the Debtors, the Committee and the United States Trustee (the "Review Period") of invoices thereof (the "Invoiced Fees") (subject in all respects to applicable privilege or work product doctrines) and without the necessity of filing formal fee applications, including such amounts arising before and after the Petition Date; provided, however, that the Debtors, the Committee and the United States Trustee may preserve

their right to dispute the payment of any portion of the Invoiced Fees (the “Disputed Invoiced Fees”) if, within the Review Period, (i) the Debtors pay in full the Invoiced Fees, including the Disputed Invoiced Fees, and (ii) the Debtors, the Committee or the United States Trustee file with the Court a motion or other pleading, on at least ten (10) days prior written notice to the First Lien Agent of any hearing on such motion or other pleading, setting forth the specific objections to the Disputed Invoiced Fees.

(f) **Reporting.** As additional adequate protection to the First Lien Secured Parties, the Debtors shall comply with the reporting requirements set forth in Section 7.1.1, other than Section 7.1.1(c), of the First Lien Credit Agreement and shall provide the following additional reporting to the First Lien Agent:

(i) Weekly (or less frequently as may be agreed to between the Debtors and the First Lien Agent) calls with the First Lien Agent and its advisors;

(ii) A copy of each update to the Debtors’ business plan as soon as reasonably practicable after it becomes available, together with a reconciliation to the prior business plan;

(iii) Presentations by the Debtors and/or their advisors to the First Lien Secured Parties at times and places as the First Lien Agent may reasonably request in writing (including via electronic mail);

(iv) Promptly, but in any event by the twentieth (20<sup>th</sup>) business day of each calendar month, a report as of the last day of the preceding calendar month, in form and detail reasonably acceptable to the First Lien Agent, of (a) the Debtors’ accounts payable and payments, (b) an accounts payable aging and an accounts receivable aging, and (c) all written demands or claims related to or asserting any liens in respect of property or assets of the Borrower, Guarantor or any EPL Obligor (as such terms are defined in the First Lien Credit Agreement) (including liens imposed by law, such as landlord’s, vendors’, suppliers’, carriers’, warehousemen’s, repairmen’s, construction contractors’, workers’ and mechanics’ liens and other similar liens) if the amount demanded or claimed exceeds \$1,000,000 individually or \$5,000,000 in the aggregate;

(v) (A) On or before the twentieth (20<sup>th</sup>) business day of each calendar month, a rolling 13-week cash flow forecast of the Debtors and their subsidiaries substantially in the form of the Budget (each, a “Proposed Budget”), which Proposed Budget, upon written approval by the First Lien Agent, shall become the Budget effective as of the first day of the next calendar month; and (B) on or before each Wednesday of each calendar week, (1) a weekly report of receipts, disbursements and a reconciliation of actual expenditures and disbursements with those set forth in the Budget for the prior week, on a line by line basis showing any variance to

the proposed corresponding line item of the Budget, which report and reconciliation shall be in form and substance reasonably satisfactory to the First Lien Agent (the “Budget Reconciliation”) and (2) a statement setting forth in reasonable detail the cash balance for each deposit account of the Debtor and its subsidiaries as of the previous Friday;

(vi) Promptly, and in any event by the twentieth (20<sup>th</sup>) business day of each month or by the thirtieth (30<sup>th</sup>) business day of each month following a month in which a fiscal quarter ends, beginning with the year-to-date period ended March, 2016, a monthly and year-to-date income statement, balance sheet and monthly and year-to-date detail of capital expenditures and workovers; and

(vii) Such other reports and information as the First Lien Agent may reasonably request.

(h) **Asset Sales; Application of Proceeds.** Unless otherwise agreed to by the First Lien Agent and the Debtors in writing, all sales and other dispositions (including casualty and condemnation events) of Collateral in excess of \$1,000,000 (“Collateral Sales”) shall be in exchange for 100% cash consideration. Upon any Collateral Sale outside of the ordinary course of the Debtors’ business (which, for the avoidance of doubt, shall in each case be subject to Court approval), the Debtors shall pay 100% of the net cash proceeds of such Collateral Sale to the First Lien Agent, which proceeds shall be applied (x) first, to permanently reduce the EPL First Lien Prepetition Indebtedness until paid in full; and (y) thereafter, to permanently reduce the EXXI First Lien Prepetition Indebtedness until paid in full.

4. **Adequate Protection for the Second Lien Secured Parties.** As adequate protection, the Second Lien Trustee, for the benefit of the Second Lien Secured Parties, is hereby granted the following claims, liens, rights and benefits solely to secure payment of an amount equal to the Collateral Diminution (as defined herein):

(a) **Adequate Protection Liens.** Effective as of the Petition Date and in each case perfected without the necessity of the execution by the Debtors (or recordation or other filing) of security agreements, control agreements, pledge agreements, financing statements, mortgages or other similar documents, or by possession or control, the Second Lien Trustee, for the benefit of the Second Lien Secured Parties, is hereby granted security interests in and liens on the Collateral, subject only to (i) the Carve-Out, (ii) the First Lien Adequate Protection Liens and (iii) the liens and security interests securing the First Lien Prepetition Indebtedness, and subject further to the Intercreditor Agreement (all such liens and security interests, the “Second Lien Adequate Protection Liens”, and collectively with the First Lien Adequate Protection Liens, the “Adequate Protection Liens”) to secure payment of an amount equal to the Collateral Diminution.



(b) **[Reserved]**.

5. **Collateral Diminution.** For purposes of this Interim Order, “Collateral Diminution” shall mean an amount equal to the diminution of the value of the Prepetition Collateral upon which any of the Prepetition Secured Parties have valid, perfected, enforceable and non-avoidable liens or security interests from and after the Petition Date for use, sale, or lease of such Prepetition Collateral, including Cash Collateral, whether in accordance with the terms and conditions of this Interim Order or otherwise, or the imposition of the automatic stay. Cash payments from Prepetition Collateral or from the proceeds of the Prepetition Collateral made to the First Lien Agent pursuant to paragraph 3 of this Interim Order shall not constitute Collateral Diminution.

6. **Priority of Adequate Protection Liens and Adequate Protection Claims.** Except to the extent of the Carve-Out, the Adequate Protection Liens and Adequate Protection Claims granted to the Prepetition Secured Parties pursuant to paragraphs 3 and 4 of this Interim Order shall not be subject or junior to any lien or security interest that is avoided and preserved for the benefit of the Debtors’ estates under section 551 of the Bankruptcy Code and shall not be subordinated to or made pari passu with any lien, security interest or administrative claim under section 364 of the Bankruptcy Code or otherwise; provided, that the Debtors shall not create, incur or suffer to exist any postpetition liens or security interests other than: (i) those granted pursuant to this Interim Order; and (ii) carriers’, mechanics’, operator’s, warehousemen’s, repairmen’s or other similar liens arising in the ordinary course of business.

7. **Carve-Out.**

(a) As used in this Interim Order, “Carve-Out” shall mean the sum of (i) all fees required to be paid to the Clerk of the Bankruptcy Court and the United States Trustee pursuant to 28 U.S.C. § 1930(a), (ii) fees and disbursements incurred by a chapter 7 trustee (if any) under section 726(b) of the Bankruptcy Code in

an amount not to exceed \$25,000, (iii) all allowed unpaid fees and disbursements (whether allowed by interim order, final order, procedural order or otherwise) (the “Allowed Professional Fees”) incurred by professionals retained by the Debtors and, subject to the limitations set forth in paragraphs 7 and 18 of this Interim Order, the Committee (collectively, the “Professional Persons”) at any time before the delivery by the First Lien Agent of written notice (via electronic mail, overnight delivery or hand delivery) to the Debtors, counsel to the Debtors, the U.S. Trustee, counsel to the Second Lien Trustee and counsel to the Committee, if any, stating that a Termination Date or Termination Event has occurred and is continuing and that the Post-Carve Out Notice Cap has been triggered (a “Carve Out Notice”), whether allowed by the Court prior to or after delivery of a Carve Out Notice; and (iv) the Allowed Professional Fees of the Professional Persons incurred on or after the first business day following delivery of the Carve Out Notice in an aggregate amount not to exceed \$1,000,000 (the “Post-Carve Out Notice Cap”).

- (b) Upon delivery of a Carve Out Notice, the Carve Out Notice shall constitute a demand to the Debtors to utilize all cash on hand as of the date of such notice and any available cash thereafter held by the Debtors to fund a segregated account at the First Lien Agent in trust for the benefit of the Professional Persons (the “Carve Out Reserve”) in an amount equal to the sum of (A) all fees and expenses required to be paid pursuant to subparagraphs (i) and (ii) in the definition of Carve Out above, (B) all billed and unpaid monthly fees and expenses of all Professional Persons (including outstanding holdbacks); (C) all unbilled fees and expenses of Professional Persons incurred prior to delivery of the Carve Out Notice; and (D) the Post-Carve Out Notice Cap. The failure of the Carve Out Reserve to satisfy in full the amount set forth in the Carve-Out shall not affect the priority of the Carve-Out.
- (c) Notwithstanding anything to the contrary in any of the Prepetition Debt Documents, this Interim Order, or the Final Order, following delivery of a Carve Out Notice, the Prepetition Agents and the Prepetition Secured Parties shall not, and shall not direct any entity to, sweep or foreclose on cash (including cash received as a result of the sale or other disposition of any assets) of the Debtors until the Carve Out Reserve has been fully funded. Further, notwithstanding anything to the contrary herein or in the Prepetition Debt Documents, in no way shall the Budget, Carve-Out, Post-Carve Out Notice Cap, Carve Out Reserve, or any of the foregoing be construed as a cap or limitation on the amount of the Allowed Professional Fees due and payable by the Debtors to the Professional Persons; provided that the foregoing shall not be a restriction on any party’s rights to object to the allowance of any unpaid fees and disbursements of the Professional Persons.
- (d) Any payment or reimbursement of Allowed Professional Fees made to any Professional Persons prior to the delivery of the Carve Out Notice shall not



reduce the Carve-Out. Any payment or reimbursement of Allowed Professional Fees made to any Professional Persons on or after the delivery of the Carve Out Notice shall permanently reduce the Carve Out on a dollar-for-dollar basis. For the avoidance of doubt, the funding or payment of the Carve-Out from cash on hand or other available cash shall not reduce Prepetition Indebtedness.

- (e) Notwithstanding anything in this Interim Order to the contrary, no portion of the Carve-Out or any other Collateral shall be used for professional fees and expenses incurred for any litigation or threatened litigation against any of the Prepetition Secured Parties or for the purpose of challenging the validity, extent or priority of any claim, lien or security interest held or asserted by the Prepetition Secured Parties or asserting any defense, claim, counterclaim, or offset with respect to the First Lien Prepetition Indebtedness, Second Lien Prepetition Indebtedness or the security interests or liens held by the Prepetition Secured Parties in the Collateral; provided, however, that (i) an aggregate of \$50,000 from the Carve-Out and the Collateral may be used to pay professional fees and expenses of the Committee to investigate the claims and liens of the Prepetition Secured Parties and (ii) the Debtors may use Cash Collateral to pay Allowed Professional Fees incurred by the Debtors in order to respond to discovery requests by the Committee in connection with such investigation.

8. **Postpetition Lien Perfection.** Without the necessity of the filing of financing statements, security agreements, federal or state notices, pledge agreements, recordings, mortgages or other documents or taking possession or control of any Collateral, this Interim Order shall be sufficient evidence of the Prepetition Secured Parties' perfected security interests and liens granted in the Collateral pursuant to this Interim Order. Notwithstanding the foregoing, the Debtors are authorized and directed to execute such documents including, without limitation, mortgages, pledges and Uniform Commercial Code financing statements and to use Cash Collateral to pay such costs and expenses as may be reasonably requested by the Prepetition Agents to provide further evidence of the perfection of the Prepetition Secured Parties' security interests and liens in the Collateral as provided for herein. All such documents shall be deemed to have been recorded and filed as of the Petition Date.

9. **Inspection Rights.** In addition to, and without limiting, whatever rights to access the Prepetition Secured Parties have under their respective Prepetition Debt Documents, upon reasonable prior written notice (including via electronic mail) during normal business hours, the Debtors shall permit representatives, agents and employees of the Prepetition Agents to (i) have reasonable access to and inspect and copy the Debtors' books and records, including all records and files of the Debtors pertaining to the Prepetition Collateral, (ii) have reasonable access to and inspect the Debtors' properties and (iii) to discuss the Debtors' affairs, finances, and condition with the Debtors' officers and financial advisors.

10. **Termination.** The Debtors' right to use the Cash Collateral pursuant to this Interim Order shall terminate (the date of any such termination, the "Termination Date") without further notice or court proceeding on the earlier to occur of (i) May 31, 2016 (the "Expiration Date"), and (ii) the occurrence of any of the events set forth in clauses (a) through (m) below (unless waived by the First Lien Agent) (the events set forth in clauses (a) through (m) below are collectively referred to herein as the "Termination Events"):

- (a) The dismissal of the Cases or the conversion of the Cases to cases under chapter 7 of the Bankruptcy Code;
- (b) The entry by this Court of an order granting relief from the automatic stay imposed by section 362 of the Bankruptcy Code to any entity other than the Prepetition Agents or the Prepetition Secured Parties with respect to the Prepetition Collateral or the Collateral without the written consent of the First Lien Agent, which consent may be withheld in its sole discretion;
- (c) The appointment or election of a trustee, examiner with expanded powers or any other representative with expanded powers relating to the operation of the businesses in the Cases;
- (d) The occurrence of the effective date or consummation date of a plan of reorganization for the Debtors;
- (e) The failure by the Debtors to make any payment required pursuant to this Interim Order when due;

- (f) The failure by the Debtors to deliver to the Prepetition Agents any of the documents or other information required to be delivered pursuant to this Interim Order when due or any such documents or other information shall contain a material misrepresentation;
- (g) The failure by the Debtors to adhere to the Budget except with respect to Permitted Deviations or Non-Conforming Uses;
- (h) The failure by the Debtors to observe or perform any of the material terms or material provisions contained herein;
- (i) The Debtors shall create, incur or suffer to exist any postpetition liens or security interests other than: (i) those granted pursuant to this Interim Order; and (ii) carriers', mechanics', operator's, warehousemen's, repairmen's or other similar liens arising in the ordinary course of business having a value less than \$1,000,000 in the aggregate at any one time.
- (j) The Debtors shall create, incur or suffer any other claim which is pari passu with or senior to the Adequate Protection Claims;
- (k) A filing by any Debtor of any motion, pleading, application or adversary proceeding challenging the validity, enforceability, perfection or priority of the liens securing the First Lien Indebtedness or asserting any other cause of action against and/or with respect to the First Lien Indebtedness, the Prepetition Collateral securing the First Lien Indebtedness, or any of the First Lien Secured Parties (or if the Debtors support any such motion, pleading, application or adversary proceeding commenced by any third party), provided, however, that the Debtors' cooperation with informal or formal discovery in connection with such matters that is not initiated by the Debtors shall not constitute a Termination Event;
- (l) A filing by any Debtor of any motion, pleading, application or adversary proceeding challenging the validity, enforceability, perfection or priority of the liens securing the Second Lien Prepetition Indebtedness or asserting any other cause of action against and/or with respect to the Second Lien Prepetition Indebtedness, the Prepetition Collateral securing the Second Lien Prepetition Indebtedness or any of the Second Lien Secured Parties (or if the Debtors support any such motion, pleading, application or adversary proceeding commenced by any third party), except with respect to participation in informal or formal discovery not initiated by the Debtors;
- (m) The entry of an order reversing, staying, vacating or otherwise modifying in any material respect the terms of this Interim Order.

On and after the occurrence of (x) the Expiration Date or (y) a Termination Event other than the Termination Event specified in clause (g) or (i) above, or (z) in the case of the Termination Event

specified in clause (g) or (i) above, on the fifth day after the date on which the Debtors receive written notice from the First Lien Agent of such Termination Event, the Debtors shall immediately cease using Cash Collateral; provided, however, that the First Lien Agent may, absent further order of the Court, following the Termination Date, seek authority from the Court to lift the automatic stay under section 362 of the Bankruptcy Code to permit it to exercise the rights and remedies available under the Prepetition Debt Documents, this Interim Order or applicable law, including, without limitation, foreclosing upon and selling all or a portion of the Prepetition Collateral or Collateral in order to collect any amounts payable to the First Lien Secured Parties pursuant to this Interim Order and apply the same to such obligations. The automatic stay under section 362 of the Bankruptcy Code is hereby deemed modified and vacated to the extent necessary to permit such actions. In any hearing regarding any exercise of rights or remedies, the only issues that may be raised by any of the Debtors in opposition thereto shall be (x) whether, in fact, the Termination Date shall have occurred and (y) what is the quantum of the Collateral Diminution, and each of the Debtors hereby waives any right to seek relief, including, without limitation, under section 105 of the Bankruptcy Code, to the extent such relief would in any way impair or restrict the rights and remedies of the First Lien Agent and the First Lien Secured Parties or, subject to the Intercreditor Agreement, the rights and remedies of the Second Lien Secured Parties set forth in this Interim Order, or the Second Lien Documents. Any delay or failure of a Prepetition Secured Party to exercise rights under any First Lien Loan Document or Second Lien Document or this Interim Order shall not constitute a waiver of their respective rights hereunder, thereunder or otherwise. Notwithstanding the occurrence of the Termination Date or anything herein, all of the rights, remedies, benefits and protections provided to the Prepetition Secured Parties (subject to the Intercreditor Agreement)

under this Interim Order shall survive the Termination Date. All notices set forth in this paragraph 10 shall be provided to the Debtors, the Committee and the United States Trustee.

11. **Limitation on Charging Expenses Against Collateral.** Subject to entry of the Final Order, all rights to surcharge any Prepetition Collateral or Collateral under section 506(c) of the Bankruptcy Code or any other applicable principle or equity or law shall be and are hereby finally and irrevocably waived, and such waiver shall be binding upon the Debtors and all parties in interest in the Cases.

12. **Reservation of Rights of the Prepetition Lenders.** This Interim Order and the transactions contemplated hereby shall be without prejudice to (i) the rights of the Prepetition Secured Parties (subject to the terms of the Intercreditor Agreement) to seek additional or different adequate protection, move to vacate the automatic stay, move for the appointment of a trustee or examiner, move to dismiss or convert the Cases, or to take any other action in the Cases and to appear and be heard in any matter raised in the Cases, and (ii) any and all rights, remedies, claims and causes of action which the Prepetition Agents or the Prepetition Secured Parties may have against any non-Debtor party liable for the First Lien Prepetition Indebtedness or the Second Lien Prepetition Indebtedness. For all adequate protection and stay relief purposes throughout the Cases, the Prepetition Secured Parties shall be deemed to have requested relief from the automatic stay and adequate protection as of the Petition Date. For the avoidance of doubt, such request will survive termination of this Interim Order.

13. **Modification of Automatic Stay.** The Debtors are authorized and directed to perform all acts and to make, execute and deliver any and all instruments as may be reasonably necessary to implement the terms and conditions of this Interim Order and the

transactions contemplated hereby. The stay of section 362 of the Bankruptcy Code is hereby modified to permit the parties to accomplish the transactions contemplated by this Interim Order.

14. **Survival of Interim Order.** The provisions of this Interim Order shall be binding upon any trustee appointed during the Cases or upon a conversion to cases under chapter 7 of the Bankruptcy Code, and any actions taken pursuant hereto shall survive entry of any order which may be entered converting the Cases to chapter 7 cases, dismissing the Cases under section 1112 of the Bankruptcy Code or otherwise, or confirming or consummating any plan(s) of reorganization. The terms and provisions of this Interim Order, as well as the priorities in payments, liens, and security interests granted pursuant to this Interim Order shall continue notwithstanding any conversion of the Cases to chapter 7 cases under the Bankruptcy Code, dismissal of the Cases or confirmation or consummation of any plan(s) of reorganization. Subject to the reservation of rights set forth in paragraph 3(c) of this Interim Order and the limitations described in paragraph 18 of this Interim Order, the adequate protection payments made pursuant to this Interim Order shall not be subject to counterclaim, setoff, subordination, recharacterization, defense or avoidance in the Cases or any subsequent chapter 7 cases (other than a defense that the payment has actually been made).

15. **No Liability to Third Parties.** The Debtors shall seek in the Final Order, in addition to the protections offered to the Prepetition Agents and other Prepetition Secured Parties in this Interim Order, the following provision: “With respect to any approval or disapproval of expenditures set forth in the Budget including, without limitation, any Permitted Deviation or Non-Conforming Use, the Prepetition Agents and the other Prepetition Secured Parties shall not: (i) be deemed to be in “control” of the operations of the Debtors; (ii) owe any fiduciary duty to the Debtors, their respective creditors, shareholders or estates; and (iii) be

deemed to be acting as a “Responsible Person” or “Owner” or “Operator” with respect to the operation or management of the Debtors (as such terms or similar terms are used in the United States Comprehensive Environmental Response, Compensation and Liability Act of 1980 or any similar federal or state statute).”

16. **Binding Effect.** The terms of this Interim Order shall be valid and binding upon the Debtors, all creditors of the Debtors and all other parties in interest from and after the entry of this Interim Order by this Court.

17. **Reversal, Stay, Modification or Vacatur.** In the event the provisions of this Interim Order are reversed, stayed, modified or vacated following any further hearing, such reversals, modifications, stays or vacatur shall not affect the rights and priorities of the Prepetition Secured Parties granted pursuant to this Interim Order. Notwithstanding any such reversal, stay, modification or vacatur, any indebtedness, obligation or liability incurred by the Debtors pursuant to this Interim Order arising prior to the Prepetition Agents’ receipt of notice of the effective date of such reversal, stay, modification or vacatur shall be governed in all respects by the original provisions of this Interim Order, and the Prepetition Secured Parties shall continue to be entitled to all of the rights, remedies, privileges and benefits, including any payments authorized herein and the security interests and liens granted herein, with respect to all such indebtedness, obligation or liability, and the validity of any payments made or obligations owed or credit extended or lien or security interest granted pursuant to this Interim Order is and shall remain subject to the protection afforded under the Bankruptcy Code.

18. **Reservation of Certain Third Party Rights and Bar of Challenge and Claims.** Subject to entry of the Final Order, the Debtors’ admissions and releases contained in paragraphs D, E, F, G and H of this Interim Order: (i) shall be binding upon the Debtors for all

purposes; and (ii) shall be binding upon all other parties in interest, including the Committee, for all purposes unless (1) a party (subject in all respects to any agreement or applicable law which may limit or affect such entities right or ability to do so) has properly filed an adversary proceeding or contested matter by no later than the date that is seventy-five (75) days from the date of entry of this Interim Order (or, in the case of the Committee, sixty (60) days from the appointment of the Committee), (x) challenging the amount, validity, enforceability, priority or extent of the First Lien Prepetition Indebtedness, the Second Lien Prepetition Indebtedness or the Prepetition Secured Parties' security interests in and liens upon the Prepetition Collateral, or (y) otherwise asserting any claims or causes of action against the Prepetition Secured Parties on behalf of the Debtors' estates; and (2) the Court rules in favor of the plaintiff in any such timely and properly filed adversary proceeding or contested matter. If no such adversary proceeding or contested matter is properly filed as of such dates or the Court does not rule in favor of the plaintiff in any such proceeding, then: (a) the Debtors' admissions and releases contained in paragraphs D, E, F, G and H of this Interim Order shall be binding on all parties in interest, including the Committee; (b) the obligations of the Debtors under the First Lien Loan Documents and Second Lien Documents shall constitute allowed claims for all purposes in the Cases, and any subsequent chapter 7 case(s); (c) the Prepetition Secured Parties' security interests in and liens upon the Prepetition Collateral shall be deemed to have been, as of Petition Date, legal, valid, binding, perfected, first priority security interests and liens, not subject to recharacterization, subordination or otherwise avoidable; and (d) the First Lien Prepetition Indebtedness, the Second Lien Indebtedness and the Prepetition Secured Parties' security interests in and liens on the Prepetition Collateral shall not be subject to any other or further challenge by the Committee or any other party in interest seeking to exercise the rights of the



Debtors' estates, including, without limitation, any successor thereto. If any such adversary proceeding or contested matter is properly filed as of such dates, the Debtors' admissions and releases contained in paragraphs D, E, F, G and H of this Interim Order shall nonetheless remain binding and preclusive (as provided in the second sentence of this paragraph) except to the extent that such admissions and releases were expressly challenged in such adversary proceeding or contested matter. Nothing contained in this Interim Order shall be deemed to grant standing to the Committee or any other party to commence any such adversary proceeding or contested matter.

19. **Enforceability; Waiver of Any Applicable Stay.** This Interim Order shall constitute findings of fact and conclusions of law and shall take effect and be fully enforceable nunc pro tunc to the Petition Date immediately upon entry hereof. Notwithstanding Bankruptcy Rules 6004(h), 6006(d), 7062 or 9014 of the Bankruptcy Rules or any other Bankruptcy Rule, or Rule 62(a) of the Federal Rules of Civil Procedure, this Interim Order shall be immediately effective and enforceable upon its entry and there shall be no stay of execution or effectiveness of this Interim Order.

20. **No Impact on Certain Contracts or Transactions.** No rights of any entity in connection with a contract or transaction of the kind listed in sections 555, 556, 559, 560 and 561 of the Bankruptcy Code are affected by the provisions of this Interim Order.

21. **Proofs of Claim.** None of the Prepetition Agents nor the Prepetition Secured Parties will be required to file proofs of claim in any of the Cases or successor cases, and the Debtors' stipulations in paragraphs D and E herein shall be deemed to constitute a timely filed proof of claim against the applicable Debtors. Notwithstanding the foregoing, each of the First Lien Agent (on behalf of itself and the other First Lien Secured Parties) and the

Second Lien Trustee (on behalf of itself and the applicable Second Lien Secured Parties) is hereby authorized and entitled, in its sole discretion, but not required, to file (and amend and/or supplement, as it sees fit) a master proof of claim for any claims of the Prepetition Secured Parties arising from the applicable Prepetition Debt Documents; provided, that nothing herein shall waive the right of any Prepetition Secured Party to file its own proofs of claim against the Debtors.

22. **Intercreditor Agreement.** Nothing in this Interim Order shall amend or otherwise modify the terms and enforceability of the Intercreditor Agreement, and the Intercreditor Agreement shall remain in full force and effect. The rights of the Prepetition Secured Parties shall at all times remain subject to the Intercreditor Agreement.

23. **Section 552(b) of the Bankruptcy Code.** The Prepetition Agents and the Prepetition Secured Lenders shall each be entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code and, subject to entry of the Final Order, the “equities of the case” exception under section 552(b) of the Bankruptcy Code shall not apply to the Prepetition Agents and the Prepetition Secured Lenders with respect to proceeds, products, offspring or profits of any of the Prepetition Collateral or the Collateral.

24. **No Marshaling.** Neither the Prepetition Agents nor the Prepetition Secured Lenders shall be subject to the equitable doctrine of “marshaling” or any other similar doctrine with respect to any of the Prepetition Collateral or Collateral, as applicable.

25. **Reservation of Rights.** Notwithstanding anything to the contrary set forth in this Interim Order, the Court hereby preserves the right of any party to object to the Final Order with respect to whether, as of the Petition Date: (i) (x) the EPL Obligors shall be jointly and severally liable for Adequate Protection Claims for Collateral Diminution in respect

of Prepetition Collateral not owned by any of the EPL Obligors (the “Non-EPL Collateral”); and (y) prepetition assets owned by the EPL Obligors shall be encumbered by Adequate Protection Liens to secure Collateral Diminution in respect of Non-EPL Collateral; (ii) EPL shall be obligated jointly and severally with respect to adequate protection payments, including but not limited to any fees and expenses of the Prepetition Secured Parties or their professionals, made pursuant to this Order or the Final Order; and (iii) the proceeds of any Collateral Sale of Prepetition Collateral owned by any EPL Obligor shall be paid to reduce the EXXI First Lien Prepetition Indebtedness.

26. **Sureties.** Notwithstanding anything herein to the contrary, the entry of this Order is without prejudice to, and nothing herein shall constitute a waiver of, expressly or implicitly, the rights, claims and defenses of the any sureties, if any, under: (a) any indemnity agreements, surety bonds or any related agreements, contracts or documents executed by any indemnitor in connection with the Surety Bond Program; (b) any related letters of credit or escrow agreements; or (c) applicable bankruptcy or non-bankruptcy law, all of which rights are expressly reserved, nor shall it affect the Debtors’ rights and defenses, if any, related thereto.

27. **Outer Continental Shelf.** Nothing in this Interim Order or the Debtors’ credit agreements shall limit, expand or otherwise modify the Debtors’ obligations pursuant to federal, state or local police or regulatory laws or pursuant to 30 C.F.R § 556.

28. **Headings.** The headings in this Interim Order are for purposes of reference only and shall not limit or otherwise affect the meaning of this Interim Order.

29. **Retention of Jurisdiction.** The Court has and will retain jurisdiction to enforce this Interim Order.

30. **Final Hearing.** The Final Hearing on the Motion is scheduled for May 5, 2016 at 2:30 p.m. before this Court.

31. **Objections.** The Debtors shall promptly mail copies of this Interim Order to the parties having been given notice of the Interim Hearing and to any other party which has filed a request for notices with this Court. Any party in interest objecting to the relief sought at the Final Hearing shall submit any such objection in writing and file same with the Court (with a courtesy copy to Chambers) and serve such objection on the following parties so as to be received no later than 4:00 p.m. (Central Time) on May 3, 2016: (i) proposed counsel to the Debtors, Vinson & Elkins LLP, 666 Fifth Avenue, 26th Floor, New York, New York 10103, Attn: David Meyer and Lauren Kanzer and Trammell Crow Center, 2001 Ross Avenue, Suite 3700, Dallas, Texas 75201, Attn: Bradley Foxman, Proposed Counsel to the Debtors; (ii) Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, New York, 10019, Attention: Ana M. Alfonso, Esq. and 600 Travis St., Suite 2310, Houston, Texas 77002, Attention: Jennifer J. Hardy, Esq., Attorneys for the First Lien Agent; (iii) Milbank, Tweed, Hadley & McCloy LLP, 28 Liberty Street, New York, New York 10005, Attn: Samuel Khalil, Attorneys for the ad hoc committee of Second Lien Noteholders; and (iv) the Office of the United States Trustee for the Southern District of Texas, 515 Rusk Street, Suite 3516, Houston, Texas 77002, Attn: Hector Duran.

**Signed: April 15, 2016.**

  
\_\_\_\_\_  
DAVID R. JONES  
UNITED STATES BANKRUPTCY JUDGE

**EXHIBIT 1**

**Budget**

Energy XXI Ltd  
EXXI Consolidated 13 week cash flow  
(\$ in thousands)

	Apr 16	Apr 16	Apr 16	May 16	May 16	May 16	May 16	Jun 16	Jun 16	Jun 16	Jun 16	Jul 16	Jul 16	13 Week Total	
Week Ending	0	1	2	3	4	5	6	7	8	9	10	11	12	13	
	4/15/2016	4/22/2016	4/29/2016	5/6/2016	5/13/2016	5/20/2016	5/27/2016	6/3/2016	6/10/2016	6/17/2016	6/24/2016	7/1/2016	7/8/2016	7/15/2016	
<b>Beginning Cash</b>	\$ 168,198	\$ 148,450	\$ 189,188	\$ 179,602	\$ 172,802	\$ 170,794	\$ 202,801	\$ 192,107	\$ 185,763	\$ 183,754	\$ 158,652	\$ 176,528	\$ 158,184	\$ 156,397	\$ 148,450
<b>Collections<sup>1</sup></b>															
Oil - Operated	-	41,676	-	-	-	44,400	-	-	-	-	45,626	-	-	-	131,702
Gas	-	-	3,448	-	-	-	1,493	2,985	-	-	1,785	3,571	-	-	13,282
NGL	-	-	685	-	-	-	245	491	-	-	240	479	-	-	2,139
Gross Oil and Gas Collections	\$ -	\$ 41,676	\$ 4,132	\$ -	\$ -	\$ 44,400	\$ 1,738	\$ 3,476	\$ -	\$ -	\$ 47,650	\$ 4,050	\$ -	\$ -	\$ 147,123
Total JIB Receivables	-	4,147	-	-	-	3,688	-	-	-	-	3,101	-	-	-	10,935
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Collections</b>	\$ -	\$ 45,823	\$ 4,132	\$ -	\$ -	\$ 48,088	\$ 1,738	\$ 3,476	\$ -	\$ -	\$ 50,751	\$ 4,050	\$ -	\$ -	\$ 158,058
<b>Operating Disbursements</b>															
Royalties	-	-	(7,507)	-	-	(4,980)	(10,061)	-	-	-	(10,297)	-	-	-	(27,865)
Gathering and Transportation	-	(4,980)	-	-	-	(4,980)	-	-	-	-	(4,980)	-	-	-	(14,940)
Severance and Property Taxes	-	(104)	-	-	-	(100)	-	-	-	-	(103)	-	-	-	(307)
Accounts Payable - Pre-Petition	(1,268)	-	(3,400)	(6,800)	-	-	-	-	-	-	-	-	-	-	(10,200)
Accounts Payable - Post-Petition	-	-	-	-	-	(8,419)	-	(8,419)	-	(16,629)	-	(16,629)	-	(15,977)	(66,073)
Employee Compensation and Benefits	(4,485)	-	(2,008)	(2,008)	(2,008)	-	(2,008)	(2,008)	(2,008)	-	(2,008)	-	(1,787)	-	(11,829)
Rent & Utilities	-	-	(4,400)	-	-	-	(440)	-	-	-	-	(440)	-	-	(1,320)
Insurance (G&A)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance and Bonding (LOE)	-	-	-	-	-	(15)	-	-	-	-	(14,867)	-	-	-	(14,883)
Other G&A	-	-	-	-	-	(1,604)	-	-	-	-	(620)	-	-	-	(2,225)
<b>Total Operating Disbursements</b>	\$ (5,752)	\$ (5,084)	\$ (13,355)	\$ (6,800)	\$ (2,008)	\$ (15,118)	\$ (12,070)	\$ (8,888)	\$ (2,008)	\$ (16,629)	\$ (32,876)	\$ (17,069)	\$ (1,787)	\$ (15,977)	\$ (149,641)
<b>Net Operating Cash Flow</b>	\$ (5,752)	\$ 40,738	\$ (9,223)	\$ (6,800)	\$ (2,008)	\$ 32,969	\$ (10,331)	\$ (5,382)	\$ (2,008)	\$ (16,629)	\$ 17,876	\$ (13,019)	\$ (1,787)	\$ (15,977)	\$ 8,417
<b>Non-Operating</b>															
Professional Fees	(6,026)	-	-	-	-	(962)	-	(962)	-	(8,473)	-	(2,824)	-	(4,266)	(17,488)
Restricted cash - cash collateral	(7,571)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Non-Operating</b>	\$ (13,597)	\$ -	\$ -	\$ -	\$ -	\$ (962)	\$ -	\$ (962)	\$ -	\$ (8,473)	\$ -	\$ (2,824)	\$ -	\$ (4,266)	\$ (17,488)
<b>Debt Service</b>															
Interest LC	-	-	-	-	-	-	-	-	-	-	-	(2,138)	-	-	(2,138)
Interest on Revolver	-	-	(363)	-	-	-	(363)	-	-	-	-	(363)	-	-	(1,089)
DIP Loan Interest and Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Debt Service</b>	\$ -	\$ -	\$ (363)	\$ -	\$ -	\$ -	\$ (363)	\$ -	\$ -	\$ -	\$ -	\$ (2,500)	\$ -	\$ -	\$ (3,226)
<b>Paydowns/Borrowings</b>															
Utility Deposit	(400)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Paydowns/Borrowings</b>	\$ (400)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Other Cash Flows</b>															
Cash Call wire	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General In/(Out)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Cash Flow</b>	\$ (19,749)	\$ 40,738	\$ (9,586)	\$ (6,800)	\$ (2,008)	\$ 32,007	\$ (10,694)	\$ (6,344)	\$ (2,008)	\$ (25,102)	\$ 17,876	\$ (13,344)	\$ (1,787)	\$ (20,244)	\$ (12,297)
<b>Ending Cash Balance</b>	\$ 148,450	\$ 189,188	\$ 179,602	\$ 172,802	\$ 170,794	\$ 202,801	\$ 192,107	\$ 185,763	\$ 183,754	\$ 158,652	\$ 176,528	\$ 158,184	\$ 156,397	\$ 136,153	\$ 136,153

1) Pricing as of 4/1/2016