IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
HILLTOP ENERGY, LLC, *et al.*,[1]	Case No. 19-_____ (___)
Debtors.	Joint Administration Pending

DECLARATION OF CLAUDE A. PUPKIN
IN SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS

I, Claude A. Pupkin, declare and state as follows:

1. I am the Manager of Hilltop Energy, LLC, a Delaware limited liability company ("Hilltop Energy"), and its wholly-owned subsidiary Hilltop Asset, LLC, a Delaware limited liability company ("Hilltop Asset" and together with Hilltop Energy, the "Debtors" or the "Company"). I am familiar with the day-to-day operations, business, and financial affairs of the Debtors.

2. On the date hereof (the "Petition Date"), the Debtors filed voluntary petitions for relief (the "Petitions") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") thereby commencing the chapter 11 cases (the "Chapter 11 Cases"). The Debtors filed the Chapter 11 Cases to pursue the *Prepackaged Joint Chapter 11 Plan of Reorganization of Hilltop Energy, LLC and Hilltop Asset, LLC* (the "Plan") and seek a prompt emergence from chapter 11 and a successful restructuring. The Debtors solicited votes on the Plan prior to the

[1] The Debtors along with the last four digits of each Debtor's federal taxpayer identification numbers, are: Hilltop Energy, LLC (2095) and Hilltop Asset, LLC (7565). The Debtors' headquarters is located at 4925 Greenville Avenue, Suite 1200, Dallas, TX 75206.

commencement of the Chapter 11 Cases. The voting classes unanimously voted to accept the Plan.

3. I submit this declaration to assist the Court and other parties in interest in understanding the circumstances that compelled the commencement of the Chapter 11 Cases and in support of the Debtors' Petitions and the pleadings filed requesting various types of "first day" relief (collectively, the "First Day Pleadings"). Except as otherwise indicated, all statements set forth in the Declaration are based upon (i) my personal knowledge; (ii) documents and other information prepared or collected by Rivershore (as defined herein); (iii) my review of relevant documents; and/or (iv) my opinion based upon my experience and knowledge of the Debtors' operations and financial condition.

4. This declaration is organized into two parts. Part I of the declaration provides an overview of the Debtors' business and operations, prepetition indebtedness, the circumstances leading to the chapter 11 filings, and the Plan. Part II of the declaration sets forth the relevant facts in support of the First Day Pleadings.

5. If I were called upon to testify, I could and would testify competently to the facts set forth herein based upon my personal knowledge, review of documents, or opinion.

PART I

A. The Debtors' Business and Operations

6. The Debtors are independent energy companies engaged in the development and production of, and exploration for, crude oil and natural gas. The Debtors' oil and gas assets are all held by Hilltop Asset and located in Leon and Robertson Counties, Texas. Historically, the Debtors strived to maintain a balanced portfolio of drilling opportunities that ranged from lower risk, field extension wells, to the smaller scale pursuit of appropriate, higher risk, high reserve

potential prospects. The Debtors also focused on exploration opportunities that could benefit from advanced technologies designed to reduce risks and increase success rates. Since March 2016, the Debtors have focused on maximizing production and minimizing costs associated with existing wells. In addition, the Company has identified prospective new drilling opportunities and would like to pursue these efforts but lacks the resources.

7. The Debtors do not have any employees and do not operate oil and gas properties. Rather, the properties are operated and managed under the terms of an operating agreement (the "RMA") by and between Rivershore Operating, LLC ("Rivershore" or "Operator") and Hilltop Energy, dated October 1, 2016.[2] As Operator, Rivershore manages the day-to-day operations of the Debtors' oil and gas production at the well sites and initially covers expenses incurred with respect to all field and lease operations on account of its working interest in the well and that of holders of non-operating working interests. Rivershore then performs an accounting of these costs, and seeks repayment from the holders of non-operating working interests on a *pro rata* basis.[3]

8. More specifically, in accordance with the RSA (defined below), and under my supervision as Manager of the Company, Rivershore's management and operation of the Company, includes, but is not limited to, among other things, finance and accounting administration, such as managing audits, joint interest billing, payments; preparing budgets; maintaining accurate books and records; negotiating potential acquisitions or oil and gas interests; purchasing materials, equipment, supplies, labor and services related to wells,

[2] As explained herein, Rivershore is also a party to the RSA. If the Plan is confirmed, Rivershore will hold a 55% equity interest in reorganized Hilltop Asset.

[3] This arrangement is common in the oil and gas industry and is commonly referred to as a "joint interest billing" or "JIB".

production facilities, and gas assets; supervising contracts; securing necessary licenses, permits, and governmental approvals; tax administration; maintaining records of the Company; and procuring and maintaining insurance coverage.

B. The Debtors' Origin and The Cubic Bankruptcy[4]

9. Hilltop Energy's predecessor, Cubic Energy, Inc. ("Cubic") was vulnerable to the volatility of the oil and gas industry. In late 2015, after exhausting other restructuring alternatives, Cubic and certain of its affiliates (collectively, the "Cubic Debtors") pursued a prepackaged plan of reorganization before this Court through the jointly administered chapter 11 cases *In re Cubic Energy, Inc., et al.*, Case No. 15-12500 (CSS) (collectively, the "Cubic Chapter 11 Cases"). On February 17, 2016, the Court entered an order confirming the *Third Amended Prepackaged Plan of Reorganization of Cubic Energy, Inc., et al., Pursuant to Chapter 11 of the Bankruptcy Code* (the "Cubic Plan") [Case No. 15-12500; Docket No. 184]. The Cubic Plan went effective on March 1, 2016 (the "Cubic Effective Date"). The Cubic Chapter 11 Cases are pending before the Court.[5]

10. The Cubic Plan provided, among other things, that holders of prepetition secured notes received, on account of their claims, their *pro rata* share of (i) membership interests in reorganized Cubic Energy, and (ii) 14.00% First Priority Senior Secured Notes due 2021 issued by reorganized Cubic Energy in the principal amount of $30,000,000 (the "First Priority Senior Secured Notes" and such noteholders, the "Original Holders")[6]. All general unsecured claims

[4] Certain information contained in this section was obtained from the *Declaration of Jon S. Ross in Support of First Day Motion* filed in the Cubic Chapter 11 Cases [Lead Case No. 15-12500; Docket No. 13].

[5] The Cubic Chapter 11 claims register is available at https://cases.primeclerk.com/cubicenergy.

[6] The Original Noteholders included: Anchorage Illiquid Opportunities III, L.P., Anchorage Illiquid Opportunities III (B), L.P., AIO III, AIV, L.P., Corbin Opportunity Fund, L.P., O-CAP Partners, L.P. and O-CAP Offshore Master Fund, L.P., noteholders from the Cubic Chapter 11 Cases.

were discharged and eliminated, and the holders of such claims did not receive a distribution on account of such claims. All equity interests in the Cubic Debtors were extinguished without payment.

11. Upon information and belief, after consulting with the Cubic Debtors' bankruptcy counsel, I understand that there is presently one outstanding matter preventing the closure of the Cubic Chapter 11 Cases. The pending matter is an adversary proceeding, entitled *Wallen, et al. v. Tauren Exploration, Inc., et al.*, Adv. Pro. No. 18-50698 (CSS) (the "Wallen Adversary"), initiated by the Cubic Debtors' former chief executive officer Calvin A. Wallen and former operator, Fossil Operating, Inc. The Wallen Adversary seeks a declaratory judgment and injunctive relief to enjoin prosecution of certain claims and causes of action asserted against Mr. Wallen and other parties in Tauren Exploration, Inc.'s bankruptcy proceeding pending in the Northern District of Texas, Dallas Division, *In re Tauren Exploration, Inc.*, Case No. 16-32188-HDH (the "Tauren Case"), alleging that such claims are barred by the release language contained within the Cubic Plan. The Cubic Debtors are not a party to the Wallen Adversary. The defendants filed a motion seeking to dismiss the Wallen Adversary or, alternatively, requesting that the Court either abstain from ruling on any and all issues related to the Tauren Case or transfer venue of the Wallen Adversary to the Northern District of Texas. The Court held oral argument on the motion to dismiss, abstain or transfer venue on April 9, 2019. It is my understanding that the Court took these issues under advisement upon the conclusion of that hearing.

C. The Formation of the Debtors

12. On or about the Cubic Effective Date, Cubic Energy was converted from a Texas corporation to a Delaware limited liability company and, subsequently, changed its name to Hilltop Energy, LLC. Cubic Energy's subsidiary, Cubic Asset Holding, LLC, was merged with

and into Cubic Asset LLC, and later renamed Hilltop Asset, LLC. I have served as Manager of Hilltop Energy and Hilltop Asset since their inception on March 1, 2016.

D. The Debtors' Prepetition Indebtedness

13. The Debtors are parties to (i) that certain Amended and Restated Indenture, dated as of March 23, 2017 (the "A&R Indenture"), between Hilltop Energy, Wilmington Trust Company, National Association (the "Indenture Agent") and Hilltop Asset (as guarantor) pursuant to which 14.00% Superpriority Senior Secured Notes due 2021 were issued in the principal amount outstanding of Five Million Dollars ($5,000,000) (the "Superpriority Senior Secured Notes"), and on which interest was paid in the form of additional notes (the "Superpriority PIK Notes"); and (ii) that certain Indenture, dated as of March 1, 2016 (the "Indenture"), between Cubic Energy, the Indenture Agent, and Cubic Asset, LLC (as guarantor) pursuant to the First Priority Senior Secured Notes were issued, and on which interest was paid in the form of additional notes (the "First Priority PIK Notes" and together with the Superpriority Senior Secured Notes, the First Priority Senior Secured Notes, and the Superpriority PIK Notes, the "Senior Secured Notes" and in each case with all other documents, notes, mortgages, pledges, security agreements, guarantees, instruments, amendments and any other agreements entered into or delivered in connection therewith and as amended, modified or supplemented from time to time, the "Senior Secured Notes Documents").

14. Under the Senior Secured Notes Documents, all of the principal of, interest on and other amounts on account of the Superpriority Notes and the Superpriority PIK Notes (collectively, the "Superpriority Notes Obligations") must be paid in full before any portion of the principal of, interest on and other amounts on account of the First Priority Senior Secured Notes and the First Priority PIK Notes (collectively, the "First Priority Notes Obligations" and

together with the Superpriority Notes Obligations, the "Senior Secured Notes Obligations") may be paid.

15. The Senior Secured Notes are all held by the Supporting Senior Secured Noteholder.[7]

16. Each Debtor believes that it is indebted and liable to the Senior Secured Noteholder for all of the obligations of the Debtors under the Senior Secured Notes and other documents executed contemporaneously therewith, whether for principal, interest, fees, expenses, prepayment premium, indemnification or otherwise (the "Senior Secured Notes Obligations"). The Senior Secured Notes Obligations are unconditionally and irrevocably guaranteed by Hilltop Asset. As of the Petition Date, there is approximately $53,575,570.13 in aggregate principal, plus interest, fees, and other expenses, outstanding under the Senior Secured Notes.

17. The Senior Secured Notes Obligations owed to the Supporting Senior Secured Noteholder are secured by a first priority lien in favor of the Senior Secured Noteholder on substantially all of the Debtors' assets.

E. Equity

18. Hilltop Energy has one class of limited liability company Interests. The equity interests are held by approximately 30 holders with approximately 76% of the interest held by AIO III CE, L.P.

[7] On or about September 18, 2017, the Original Holders each sold their *pro rata* share of First Priority Senior Secured Notes to the Supporting Senior Secured Noteholder pursuant to that certain *Secondary Sale and Purchase Agreement*.

F. Events Leading to Chapter 11

19. The Company has been cash flow negative every year since its formation following the chapter 11 cases of Cubic and its affiliates, as the revenue generated by producing wells is not sufficient to cover operating expenses and "workover" expenses, which is maintenance capex to keep the wells flowing. The Debtors' gross production has declined from approximately10.5 million cubic feet per day ("mmcfd"), in March 2016 to roughly 5.0 mmcfd as of the date hereof. Although the Debtors have been able to service their debt obligations (primarily by paying interest in the form of additional notes), over time, the yield of the Debtors' producing oil and gas wells has been and may continue to be in constant decline. Consequently, the Debtors anticipate that they will generate less revenue and cash flow and, ultimately, be unable to satisfy their debt obligations before or at maturity

20. Although production declines are expected in the oil and gas industry, the Debtors have faced several unanticipated challenges since emerging from the Cubic Chapter 11 Cases. Since emergence, over 20% of the Debtors' producing gas wells have stopped producing due to downhole operational and/or technical issues. During this same time period, the Debtors also invested in production uplift projects—including an estimated $4 million on workover and/or recompletion projects for three wells—but the efforts to increase production from those wells were unsuccessful. The effects of these production problems on the Debtors' revenue have been compounded by the weak natural gas market over the past few years.

21. Absent development of new wells resulting in increased productivity, the Debtors will continue to suffer a decline in revenue and, as a result, operating losses. These financial and operational factors materially impair the Debtors' ability to service their significant prepetition debts owed to the Prepetition Secured Noteholders and also significantly impairs the value of the Debtors' productive assets. In addition, note maturities in 2021 have compelled the Debtors to

proactively address their over-leveraged capital structure in a manner that does not disrupt their business relationships.

G. The RSA and Prepetition Solicitation of the Plan

22. *The Restructuring Support Agreement.* In the months leading to the Petition Date, the Debtors and their advisors entered into discussions with the Supporting Senior Secured Noteholder regarding their revenue decline, debt load and potential financial alternatives. Following extensive discussions, the Supporting Senior Secured Noteholder and the Debtors agreed to a Restructuring Support Agreement ("RSA") that included two additional parties: Rivershore and Chase Lincoln First Commercial Corporation ("CLFCC" or the "Lender," and together with the Supporting Senior Secured Noteholder, the Debtors, and Rivershore, the "Parties").

23. Through the RSA, the Parties agreed to implement a financial restructuring of the Company's indebtedness and other obligations which will transfer control of the Debtors to the Senior Secured Noteholder and Rivershore. The RSA binds the Parties to implement a series of transactions necessary to restructure the Debtors' prepetition debts through confirmation of the consensual, prepackaged Plan, including, without limitation, requiring the Debtors to (a) file the Chapter 11 Cases on or before May 15, 2019 (which was extended by agreement of the Parties), (b) make a good faith effort to secure entry of an order confirming the Plan within thirty-seven (37) days after the Petition Date, and (iii) substantially consummate the Plan within two (2) business days after entry of an order confirming the plan.

24. The RSA and consensual Plan contemplate prompt emergence from chapter 11 with the following key terms:

- all Senior Secured Notes will be cancelled, and the Holder of all Allowed Senior Secured Notes Claims, or its assignee or designee, will receive (1)

100% of the Reorganized Energy Debtor Membership Interests and (2) $1,470,000 in Cash from the Exit Facility proceeds. This will eliminate the Debtors' secured note debt, removing approximately $53 million in secured obligations from the Debtors' consolidated balance sheet.

- in consideration for certain commitments and obligations by Rivershore, including amendment of the RMA and certain financial accommodations, 55% of the equity of Reorganized Asset ("Newco") will be issued to Rivershore, and the remaining 45% of Newco will be issued to Reorganized Energy;

- existing equity interests in Hilltop Energy and Hilltop Asset will be canceled and discharged;

- CLFCC will provide an Exit Facility for the Company's use on emergence from the prepackaged chapter 11 bankruptcy; and

- all other Allowed Claims will be satisfied in full, including payment of Allowed General Unsecured Claims in the ordinary course of the Debtors' business.

25. In addition, in connection with the RSA, the Debtors, as borrowers, and CLFCC, as lender, entered into a Financing Agreement and promissory note whereby CLFCC agreed to provide $530,000 short term unsecured financing to the Debtors in order to fund professional fee obligations incurred or to be incurred in connection with preparation, filing and prosecution of the Chapter 11 Cases as contemplated by the RSA. Upon the occurrence of the Effective Date, (i) all obligations under the promissory note will be "rolled into" the principal amount of the Exit Facility, and become payment obligations of the borrowers thereunder pursuant to the terms of the Plan and the Exit Facility; and (ii) thereafter, the promissory note shall be deemed cancelled, and null and void, and any claim in the Chapter 11 Cases shall be deemed satisfied.

26. *Prepetition Solicitation of the Plan*. In accordance with the RSA, on May 16, 2019, the Debtors began soliciting votes on the Plan by instructing their voting agent, Cole Schotz P.C. (the "Voting Agent"), to distribute a solicitation package containing the Disclosure

Statement, including the Plan and other exhibits thereto, a ballot, and Voting Instructions (the "Solicitation Package").

27. Disclosure Statement, including the Plan and other exhibits thereto, and a ballot, to the holders of impaired claims entitled to vote or their counsel -- i.e. the Supporting Senior Secured Noteholder and the Lender-- determined as of the voting record date of May 10, 2019.

28. Following the voting deadline on May 16, 2019, the Voting agent informed the Debtors that solicited holders had timely submitted ballots and that each impaired class had voted unanimously to accept the Plan.

29. Contemporaneously herewith, the Debtors are filing a motion, described in greater detail below, seeking entry of an order, among other things, (i) scheduling a combined hearing on the adequacy of the disclosure statement (including all exhibits and schedules attached thereto, and as may be amended, altered, modified or supplemented from time to time, the "Disclosure Statement") with respect to the Plan and confirmation of such Plan;[8] (ii) establishing the deadline for objections to the adequacy of the Disclosure Statement and confirmation of the Plan and approving certain related procedures; and (c) conditionally approving the prepetition procedures for the solicitation of votes on the Plan, including the form of ballots.

PART II[9]

30. In furtherance of the reorganization objectives described herein, on the Petition Date, the Debtors filed the First Day Pleadings, which, if granted, will facilitate the Debtors' entry into chapter 11 and avoid unnecessary disruptions and costs pending confirmation of the

[8] All capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Plan or the Disclosure Statement, as applicable.

[9] Capitalized terms, used in the following sections but not otherwise defined herein, shall have the meanings ascribed to such terms in the respective First Day Pleadings.

Plan. I have reviewed each of the First Day Pleadings, including the exhibits thereto, and the facts set forth therein are true and correct to the best of my knowledge, information and belief. Moreover, I believe that the relief sought in each of the First Day Pleadings (a) is necessary to enable the Debtors to make the transition to, and operate in, chapter 11 with minimum interruption or disruption to its business or loss of value, and (b) constitutes a critical element in maximizing value during the Chapter 11 Cases.

A. Debtors' Motion for Joint Administration of Bankruptcy Cases

31. The Chapter 11 Cases involve two Debtors. In the Joint Administration Motion, the Debtors request consolidation of the Chapter 11 Cases and joint administration for procedural purposes only. I believe that joint administration of the Chapter 11 Cases will provide significant administrative convenience and cost savings to the Debtors without harming the substantive rights of any party in interest.

32. Many of the motions, hearings, and orders in the Chapter 11 Cases will affect each Debtor entity. The entry of an order directing joint administration of the Chapter 11 Cases will reduce fees and costs by avoiding duplicative filings and objections. Joint administration of the Chapter 11 Cases, for procedural purposes only, under a single docket, will also ease the administrative burden on the Bankruptcy Court and simplify supervision of the cases by the Office of the United States Trustee by allowing the Chapter 11 Cases to be administered as a single joint proceeding rather than multiple independent Chapter 11 Cases. Accordingly, I believe that joint administration of the Chapter 11 Cases is in the best interests of the Debtors' respective estates, creditors, and all other parties in interest.

B. Debtors' Application for Entry of an Order Appointing Stretto as Claims and Noticing Agent *Nunc Pro Tunc* to the Petition Date

33. Pursuant to the Section 156(c) Application, the Debtors seek entry of an order appointing Stretto as the Claims and Noticing Agent for the Debtors in the Chapter 11 Cases, *nunc pro tunc* to the Petition Date. Based on my discussions with the Debtors' advisors, I believe that the Debtors' selection of Stretto to act as the Claims and Noticing Agent is appropriate under the circumstances and is in the best interests of the Debtors' estates.

34. Based on the engagement proposals obtained and reviewed, Stretto's rates are competitive and reasonable given Stretto's quality of services and expertise. The terms of Stretto's retention are set forth in the Engagement Agreement attached to the Section 156(c) Application.

35. I understand that it is anticipated that a substantial number of parties will receive notice in the Chapter 11 Cases. In light of the number of parties in interest and the claims and noticing requirements of the Chapter 11 Cases, I believe that the appointment of the Claims and Noticing Agent will maximize the efficiency of the distribution of notices and the processing of claims, as well as relieve the Clerk's Office and the Debtors from the administrative burden of processing a large number of claims and notices.

D. Debtors' Motion for Interim and Final Orders (I) Authorizing Continued Use of Existing Cash Management System, Including Maintenance of Existing Bank Accounts, Checks and Business Forms; (II) Authorizing Continuation of Existing Deposit Practices; (III) Waiving the Requirements of 11 U.S.C. § 345(b); (IV) Scheduling a Final Hearing; and (V) Granting Related Relief

36. The Debtors utilize a relatively straightforward cash management and disbursement system consisting of three Bank Accounts at American National Bank of Texas ("ANB"). By the Cash Management Motion, the Debtors seek entry of interim and final orders (i) authorizing, but not directing, the Debtors to continue to maintain and use their existing Cash

Management System, including their existing Bank Accounts, checks and Business Forms; (ii) waiving certain requirements of the United States Trustee to the extent that such requirements are inconsistent with (a) the Debtors' existing practices under their Cash Management System or (b) any action taken by the Debtors in accordance with any order granting the Cash Management Motion or any other order entered in the Chapter 11 Cases; (iii) authorizing, but not directing, the Debtors to continue to maintain and use their existing Deposit Practices, and waiving the requirements of section 345(b) of the Bankruptcy Code; (iv) scheduling the Final Hearing; and (v) granting related relief.

37. Although ANB is not on the United States Trustee's Authorized Depository List, in the interest of maintaining the continued and efficient operation of the Cash Management System during the pendency of the Chapter 11 Cases, by the motion, the Debtors request that ANB be authorized to continue to administer, service and maintain the Bank Accounts as such accounts were administered, serviced and maintained prepetition, without interruption and in the ordinary course (including making deductions for bank fees), and to honor any and all checks, drafts, wires, ACH transfers, electronic fund transfers or other items presented, issued or drawn on the Bank Accounts on account of a claim arising on or after the Petition Date.

38. I believe that the continuation of the Debtors' Cash Management System is essential to the Debtors' business and any disruption in the Debtors' use of the Cash Management System would severely disrupt the Debtors' business. I believe that the relief requested in the Cash Management Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their business in chapter 11. Accordingly, on behalf of the Debtors, I respectfully submit that the Cash Management Motion should be approved.

E. Debtors' Motion for Entry of Interim and Final Orders (A) Authorizing the Debtors to Pay Prepetition Taxes in the Ordinary Course of Business and (B) Authorizing Banks and Financial Institutions to Honor and Process Checks and Transfers Related Thereto

39. By this motion, the Debtors seek authority, pursuant to sections 105(a), 363, 507(a), and 541(d) of the Bankruptcy Code, to pay, in the Debtors' sole discretion, prepetition Taxes and Fees owed to the Taxing Authorities, including without limitation, Taxes and Fees subsequently determined to be owed for periods prior to the Petition Date, in an aggregate amount (excluding amounts paid prepetition by checks that have not yet cleared on the Petition Date, if any) of up to $20,000.00.

40. To the extent any check issued or electronic transfer initiated prior to the Petition Date to satisfy any prepetition obligation on account of Taxes and Fees has not cleared the banks and financial institutions as of the Petition Date, the Debtors request that the Court authorize the banks and financial institutions, when requested by the Debtors in their sole discretion, to receive, process, honor, and pay such checks or electronic transfers, provided that there are sufficient funds available in the applicable accounts to make such payments. The Debtors also seek authorization to issue replacement checks, or to provide for other means of payment to the Taxing Authorities, to the extent necessary to pay such outstanding Taxes and Fees owing for periods prior to the Petition Date.

41. I believe the payment of prepetition Taxes and Fees will avoid disruption to the Debtors' operations that would result from the failure to pay such Taxes and Fees. Furthermore, nonpayment of these obligations may cause Taxing Authorities to take precipitous action, including, but not limited to, filing liens, preventing the Debtors from conducting business in applicable jurisdictions, and seeking to lift the automatic stay, all of which could disrupt the

Debtors' day-to-day operations, impose significant costs on the Debtors' estates, and jeopardize the Debtors' ability to timely confirm their prepackaged plan of reorganization.

F. Debtors' Motion for an Order (I) Authorizing Them to Pay Prepetition and Postpetition Obligations on Account of Joint Interest Billings, Royalties, Overriding Royalty Interests, Pipeline Costs, and Severance Taxes (II) Authorizing Banks to Honor and Process Related Checks and Electronic Transfers; and (III) Waiving Applicable Stays to Allow for Immediate Relief

42. Through this motion, the Debtors request that the Court enter an order, among other things: (a) authorizing the payment of certain prepetition and postpetition Interest Owner Payments relating to royalty, overriding royalty interest, pipeline costs, and severance tax obligations; (b) authorizing the payment of certain prepetition and postpetition JIBs; and (c) authorizing the Debtors' banks and other financial institutions to honor and process prepetition and postpetition checks and electronic transfers relating to the Interest Owner Payments and JIBs.

43. Monthly, the Debtors receive invoices from Rivershore for their proportionate share of JIBs for expenses such as drilling and completion costs, as well as operating costs. Prior to the Petition Date, the Debtors' prepetition JIB billings typically totaled approximately $89,000 per month. As of the Petition Date, the Debtors believe that they are current on all JIB billings, but will incur additional postpetition JIBs of approximately $270,000[10] through July 31, 2019. Failure to timely pay the JIBs may provide grounds for contractual lien rights or statutory lien rights in favor of Rivershore or other holders of Non-Operating Working Interests against the Debtors' interest in the associated lease or their *pro rata* portion of the production therefrom.

[10] Although the Debtors are providing their best estimate of expected postpetition JIBs, it is extremely difficult to predict this value with any degree of confidence due to factors such as unpredictable expenses, operational difficulties, and market volatility.

44. As described above, the Debtors own certain interests in certain oil and gas producing properties, located in Texas (collectively, the "Leases"). Pursuant to these Leases and related agreements, the Debtors are obligated to remit to the lessors who own the oil and gas producing properties (collectively, the "Royalty Interest Owners") their share of the proceeds from the sale of the oil and gas production from the producing wells located on their respective Leases or other Leases and properties pooled or unitized therewith, free of the expenses of production (collectively, the "Royalties").

45. Further, certain assignments of the Leases have created an interest in a share of the production from the producing wells located on the respective Leases or other Leases and properties pooled or unitized therewith, free of the expenses of production, that burden the Debtors' working interest in the Leases (collectively, the "Overriding Royalty Interests"). The Debtors are obligated to remit to the owners of the Overriding Royalty Interests (collectively, the "Overriding Royalty Interest Owners") the share of the proceeds attributable to the Overriding Royalty Interests.

46. The Debtors and Rivershore are also responsible for the payment of Severance Taxes to certain Taxing Authorities for the oil and gas production each month. Failure to pay the Severance Taxes when due could result in penalties, liens to secure payment of outstanding Severance Taxes and disruption of the Debtors' operations.

47. Certain of the Debtors' Leases (or rights to acquire Leases) relate to acreage upon which no producing well has yet been drilled. The Debtors are required to make delay rental payments and other periodic lease and/or rental payments with respect to such properties that are not yet producing (and thus, not yet incurring any Royalty obligations) in order to ensure that they will retain the rights to such potentially valuable Leases, including the right to eventually

drill a producing well and share in the production therefrom (such additional delay rental and retention payments, the "Lease Retention Payments"). Failure to remit such Lease Retention Payments could result in a loss of potentially valuable Lease rights.

48. Additionally, in connection with Hilltop Asset's extraction of hydrocarbons from its Leases, Hilltop Asset necessarily incurs certain costs associated with transporting such extracted hydrocarbons from the Leases via one or more pipelines. The costs associated with such pipeline transportation (collectively, the "Pipeline Costs") are essential to the operation and maintenance of the Leases, as without a mechanism to transport extracted oil and gas from the Leases, the Debtors could find themselves in default of Lease terms or other applicable oil and gas regulations. Further, failure to pay such Pipeline Costs could subject the Debtors' assets to one or more mechanics and materialmens' liens arising as a result of unpaid Pipeline Costs. Out of an abundance of caution, the Debtors seek authority to pay these Pipeline Costs to prevent disruption to the ordinary course of business.

49. Amounts owed on account of the Royalties, the Overriding Royalty Interests, Lease Retention Payments, Pipeline Costs and the Severance Taxes (collectively, the "Interest Owner Payments," and the individuals or entities to whom such payments are owed the "Interest Owners") are paid by Debtor Hilltop Asset and Rivershore.

50. Certain of the Debtors' Leases may contain termination provisions that provide for automatic termination in the event of a failure to pay required royalties or other Interest Owner Payments. Consequentially, it is essential that the Debtors remain current with their Interest Owner Payments, in order to prevent costly business disruptions or losses of any Lease rights.

51. Because of the time required to market and sell the oil and gas produced and the significant accounting process that must occur each month to ensure the accuracy of the Interest Owner Payments, such Interest Owner Payments are generally paid more than thirty (30) days in arrears. Prior to the Petition Date, the Debtors' prepetition Interest Owner Payments typically totaled approximately $258,000 per month. As of the Petition Date, the Debtors believe that they are current on Interest Owner Payments, but that they will incur postpetition Interest Owner Payment obligations of approximately $700,000[11] through July 31, 2019.

52. I believe that payment of the JIBs and Interest Owner Payments is essential to the success of the Chapter 11 Cases. Failure to timely pay prepetition and postpetition JIBs could jeopardize the Debtors' ability to receive continued service from Rivershore and incoming cash flow, as Rivershore may refuse to provide additional service to the Debtors or attempt to recoup or offset production payments to satisfy outstanding JIB obligations if JIBs are not timely paid. Beyond the practical effect of such a stoppage, such a result may also trigger a default under the RSA. Thus, I believe that payment of the JIBs and Interest Owner Payments is necessary to ensure a steady and continued revenue stream from Rivershore and guide the Chapter 11 Cases to a successful confirmation.

G. Debtors' Motion for Entry of an Order (I) Authorizing the Debtors to Pay Prepetition Claims of Critical Vendors and (II) Granting Related Relief

53. The oil and gas industry in which the Debtors operate requires them to rely heavily on certain Critical Vendors to provide personnel (the Debtors have none of their own employees), services, equipment, and parts. The Debtors have identified two Critical Vendors that provide the Debtors with a range of comprehensive, highly-specialized services including

[11] Although the Debtors are providing their best estimate of expected postpetition Interest Owner Payments, it is extremely difficult to predict this value with any degree of confidence due to factors such as unpredictable expenses, operational difficulties, and market volatility.

back-office administrative and financial support, information technology, and on-site extraction and pipelining operations.[12] Without these people and their services, the Debtors' business would suffer severe disruption, jeopardizing the Debtors' ability to continue operating. To prevent any unexpected or inopportune interruption to the Debtors' business during the Chapter 11 Cases, it is essential that the Debtors maintain their relationship with, and their ability to honor their outstanding payment obligations to, the Critical Vendors.

54. By the motion, the Debtors request entry of an order, authorizing the Debtors, in their discretion, to pay prepetition obligations of the Critical Vendors in the ordinary course, in an amount not to exceed $150,000.

55. Absent payment of Critical Vendors, the Debtors' business would suffer severe disruption. Consequently, in order to avoid any unexpected interruption to the Debtors' business during the Chapter 11 Cases, it is vital that the Debtors maintain their relationship with, and their ability to honor their outstanding payment obligations to, the Critical Vendors.

H. Debtors' Motion for Entry of an Order (I) Scheduling Combined Hearing to Consider Approval of Disclosure Statement and Confirmation of Prepackaged Joint Plan, (II) Establishing the Plan and Disclosure Statement Objection Deadline and Related Procedures, (III) Approving the Solicitation Procedures and Forms of Ballots, (IV) Approving the Form and Manner of Notice of the Combined Hearing, Objection Deadline, and Notice of Commencement, (V) Conditionally Directing that a Meeting of Creditors Not Be Convened, (VI) Conditionally Extending Deadline to File Schedules and Statements, and (VII) Granting Related Relief

56. As discussed above, prior to the Petition Date, the Debtors solicited votes from the only Classes of Claims or Interests that were entitled to vote to accept or reject the Plan, and

[12] Contemporaneously herewith, the Debtors are filing the *Debtors' Motion for an Order (I) Authorizing Them to Pay Prepetition and Postpetition Obligations on Account of Joint Interest Billings, Royalties, Overriding Royalty Interests, Pipeline Costs, and Severance Taxes, (II) Authorizing Banks to Honor and Process Related Checks and Electronic Transfers; and (III) Waiving Applicable Stays to Allow for Immediate Relief* (the "JIB Motion"). The JIB Motion seeks authority to pay certain vendors who may also qualify as Critical Vendors. For the avoidance of doubt, neither of the Critical Vendors are covered by the JIB Motion, and none of the vendors covered by the JIB Motion are covered by this Motion.

are committed to pursuing a streamlined confirmation process. To support the Debtors' timeline, the Debtors request entry of the Proposed Order:

(a) scheduling a Combined Hearing on the adequacy of the disclosure statement and confirmation of the Plan;

(b) establishing the deadline for objections to the adequacy of the Disclosure Statement and confirmation of the Plan (the "Objection Deadline") and approving certain related procedures;

(c) conditionally approving the Solicitation Procedures, pending final approval through the proposed findings of fact, conclusions of law, and order confirming the Plan pursuant to section 1129 of the Bankruptcy Code (at the Combined Hearing;

(d) approving the form and manner of notice of the commencement of the Chapter 11 Cases, the Combined Hearing and the Objection Deadline (the "Combined Notice");

(e) directing that the U.S. Trustee not convene the Creditors' Meeting, provided that the Plan is confirmed within ninety (90) days of the Petition Date;

(f) conditionally extending the date by which the Debtors must file the Schedules and Statements, provided that the Plan is confirmed within ninety (90) days of the Petition Date; and

(g) granting certain related relief.

57. Specifically, the Debtors request that the Court schedule certain key dates and deadlines related to the Combined Hearing consistent with the following proposed schedule:

Event	**Proposed Dates/Deadlines**
Voting Record Date	May 10, 2019
Commencement of Solicitation	May 16, 2019
Voting Deadline	May 16, 2019
Petition Date	May 16, 2019
Mailing of Notice Deadline	May 20, 2019
Distribution of Notice of Cure Claims	June 7, 2019
Plan Supplement Filing Date	June 10, 2019
Deadline to Object to Cure Claim Amount	June 14, 2019
Objection Deadline	June 17, 2019
Reply Deadline	June 19, 2019
Confirmation Order Deadline	June 19, 2019

Confirmation Brief Deadline	June 19, 2019
Combined Hearing Date	June 24, 2019

58. As discussed above, the RSA, which was intensively negotiated, provides the framework for an expeditious and value-enhancing restructuring and requires the Debtors to, among other things, make a good faith effort to secure entry of an order confirming the Plan within thirty-seven (37) days after the Petition Date. I understand that the proposed timeframe is compliant with the Bankruptcy Rules.

59. Based on discussions with Debtors' advisors, I also believe that a Combined Hearing is appropriate in the Chapter 11 Cases. First, a Combined Hearing will promote judicial economy. Second, an expedient chapter 11 process will minimize administrative expenses to its estates.

I. Debtors' Motion for Order (I) Authorizing the Use of Cash Collateral; (II) Granting Adequate Protection to the Supporting Senior Secured Noteholder; (III) Scheduling a Final Hearing; and (IV) Granting Related Relief

60. I believe that the Debtors have an urgent and immediate need for authority to use Cash Collateral subject to the terms of the Cash Collateral Motion in order to permit, among other things: the orderly continuation of the operation of their businesses, to maintain business relationships with vendors, suppliers and customers, to make payroll, to make capital expenditures, and to satisfy other working capital and operational needs. The foregoing expenditures are critically necessary to preserve and maintain the going concern value of the Debtors' business and, ultimately, help ensure a successful reorganization under the Plan. Without access to the Cash Collateral, the Debtors may be forced to cease operations and liquidate their assets.

61. The Debtors intend to use Cash Collateral consistent with their ordinary prepetition practices and in accordance with the Approved Budget. The Debtors have the

consent of the Supporting Senior Secured Noteholder to access Cash Collateral on the terms described in the Cash Collateral Motion. In consideration of the foregoing, the Debtors are willing to stipulate and acknowledge the validity, priority, and extent of the liens and claims of the Supporting Senior Secured Noteholder, as set forth in the proposed form of Interim Order approving the Cash Collateral Motion.

62. The Debtors negotiated with the Supporting Senior Secured Noteholder in good faith and at arms' length regarding the terms of the Debtors' use of Cash Collateral. As a result of these discussions, the Debtors have agreed to provide adequate protection to the Supporting Senior Secured Noteholder by (i) granting replacement security interests in and liens on the Debtors' assets (including, subject to entry of a final order, the proceeds of Avoidance Actions), (ii) granting an allowed administrative claim in these chapter 11 cases and any successor cases; and (iii) reimbursing the Supporting Senior Secured Noteholder's reasonable fees and costs in connection with the Chapter 11 Cases, in accordance with the terms of the Interim Order. Further, the Debtors have requested to modify the automatic stay imposed by section 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the terms and provisions of the Interim Order and Final Order.

63. I believe that the various cash collateral protections described above are sufficient under the present circumstances to provide adequate protection to the Supporting Senior Secured Noteholder. The Approved Budget contemplates that the Debtors will use the Cash Collateral to satisfy their ordinary course obligations.

64. I believe that the urgent need to preserve going concern value and avoid immediate and irreparable harm to all of the Debtors' estates, makes it imperative that the Debtors be authorized to use the Cash Collateral, pending the Final Hearing, in order to continue

their operations and to allow the Debtors to administer their cases. Without the ability to use Cash Collateral, the Debtors would be unable to meet their ongoing obligations and would be unable to fund their working capital needs, thus causing irreparable harm to the Debtors and their estates, and jeopardizing the success of the Chapter 11 Cases.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated: May 16, 2019

/s/Claude A. Pupkin
Claude A. Pupkin