

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF TENNESSEE  
NORTHERN DIVISION**

IN RE:

REGAL PETROLEUM COMPANY, INC.

No. 3:16-bk-33660-SHB  
CHAPTER 11

Debtor.

**EMERGENCY MOTION FOR AUTHORITY TO USE CASH COLLATERAL**

**NOTICE OF EMERGENCY HEARING**

Notice is hereby given that:

A hearing will be held on this matter on the **19<sup>th</sup> day of December, 2016 at 9:30 a.m.**, in Courtroom 1-C, located at the Howard H. Baker, Jr. U.S. Courthouse, 800 Market Street, Knoxville, TN 37902.

**If you do not want the court to grant the relief requested, you or your attorney must attend this hearing. If you do not attend the hearing, the court may decide that you do not oppose the relief sought in the application and may enter an order granting that relief.**

Debtor Regal Petroleum Company, Inc. (the "Debtor"), by and through counsel, moves this Honorable Court pursuant to 11 U.S.C. §363(c)(2)(B) and Fed. R. Bank. P. 4001(b), for an order authorizing it to use cash collateral. In support of this motion, the Debtor represents the following:

**BACKGROUND**

1. The Debtor commenced this case by filing a voluntary petition under Chapter 11 of the Bankruptcy Code on December 12, 2016.

2. The Debtor is operating its business and managing its properties as debtor-in-possession.

3. Before the date the petition was filed and during the pendency of this case, the Debtor has operated as an energy logistics company that purchases, gathers, transports and markets crude oil and natural gas liquids to large marketers and end users. It also trans loads product from rail to truck for delivery to markets.

4. The Debtor's gross revenues annually are between \$30,000,000 and \$35,000,000. Most of these revenues are paid out as costs of goods sold or are netted-out and never enter the Debtor's accounts.

5. The Debtor estimates it has \$2,500,000 annually with which to conduct its operations.

6. The value of the Debtor's tangible assets is approximately \$1,337,000.

7. The Debtor estimates its prepetition claims to be at least \$1,563,230.

8. The Debtor roughly estimates its going concern value to be approximately \$5,000,000.

9. The Internal Revenue Service (the "IRS") has a lien on the property of the Debtor pursuant to a tax lien filed in the Register's Office, Knox County, Tennessee. Specifically, as relevant to this motion, the IRS has a lien on the Debtor's receivables (the "Cash Collateral").

10. The Debtor believes that its debt to the IRS is approximately \$700,000.

11. The Debtor generally carries an average of around \$400,000 in receivables at any given time.

### RELIEF REQUESTED

12. In accordance with 11 U.S.C. § 363(c)(2)(B), the Debtor requests that this Court authorize and approve the Debtor's use of the Cash Collateral for the payment of its operating expenses as set forth in the budget attached hereto as *Exhibit 1* (the "Budget").

13. The Debtor believes and alleges that the expenses listed on the Budget are reasonable and necessary business expenses which must be paid in order to continue the Debtor's business.

14. To remain in possession of its property and continue its business activity to achieve a successful reorganization, the Debtor must be permitted to use the Cash Collateral in its ordinary business operations.

15. The Debtor has no alternative borrowing source from which the Debtor could secure additional funding to operate its business.

16. In an effort to adequately protect the interests of the IRS in the Cash Collateral, the Debtor is offering to provide the IRS with a replacement lien in accordance with 11 U.S.C. § 361(2) in and to all property of the estate of the kind presently securing the debt to the IRS purchased or acquired with the Cash Collateral and a continuing lien on the Debtor's receivables.

17. Additionally, as additional protection of the interests of the IRS in the Cash Collateral, the Debtor is offering to provide the IRS with cash payments of \$12,000 each month, in accordance with 11 U.S.C. § 361(1), until confirmation of a plan of reorganization.

18. In the event this Court does not authorize the Debtor's use of the Cash Collateral, the Debtor believes it will be unable to maintain its current business operations and propose a plan of reorganization.

19. Without the use of Cash Collateral, the Debtor will be seriously and irreparably harmed to the extent that it will be unable to operate, resulting in significant losses to the Debtor, its employees, the estate, and the Debtor's creditors.<sup>1</sup>

20. In filing this motion, the Debtor does not admit the debt to the IRS or waive any objection to any claim of the IRS. Likewise, the Debtor does not admit that the IRS holds a valid, perfected or enforceable prepetition lien, and the Debtor does not waive the right to contest the validity, priority, perfection or enforceability of the IRS' alleged prepetition lien in and to any property.

WHEREFORE, the Debtor requests entry of an order authorizing it to use the Cash Collateral under the terms and conditions contained herein and in the proposed order submitted contemporaneously herewith.

RESPECTFULLY SUBMITTED this 19<sup>th</sup> day of December, 2016.

/s/Keith L. Edmiston  
Keith L. Edmiston  
EDMISTON FOSTER  
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<sup>1</sup> The value of the Debtor's tangible assets is less than the amount of its debt, as reflected in schedules A/B, D, and E/F to the petition. Based on its knowledge of its property and its opinion of the value thereof under a quick sale or auction, the Debtor opines that the unsecured creditors would receive little to no dividend were the property of the Debtor liquidated.

### CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing Motion has been served on the attorney for the U.S. Trustee, the Assistant U.S. Attorney for the Eastern District of Tennessee, the Internal Revenue Service, all parties requesting notice, all secured creditors, and all other creditors, all as identified below and in the manner indicated below, electronically via ECF or by first-class mail, properly addressed and proper postage prepaid, and by facsimile/e-mail, on this the 16<sup>th</sup> day of December, 2016:

/s/Keith L. Edmiston

U.S. Trustee  
800 Market Street, Ste. 114  
Knoxville, TN 37902  
[ECF]

Internal Revenue Service  
Centralized Insolvency Operations  
PO Box 7346  
Philadelphia, PA 19101-7346  
[Fax and USM]

Kenny Saffles, Esq.  
Office of the U.S. Attorney  
800 Market St Ste 211  
Knoxville, TN 37902-2342  
[E-Mail and USM]

Knox County Trustee  
PO Box 70  
Knoxville, TN 37901-0070  
[Fax and USM]

City of Knoxville  
Revenue Enforcement  
P. O. Box 1028  
Knoxville, TN 37901-1028  
[Fax and USM]

Internal Revenue Service  
IRS Insolvency  
801 Broadway  
Nashville, TN 37203  
[Fax and USM]

Kentucky Department of Revenue  
501 High Street  
Frankfort, KY 40601  
[Fax and USM]

Peoples Bank of the South  
106 W. Central Ave.  
LaFollette, TN 37766  
[Fax and USM]

Vinland Energy  
2704 Old Rosebud Road  
Ste. 320  
Lexington, KY 40509  
[Fax and USM]

Merchant Cash & Capital  
460 Park Ave. 10FI  
New York, NY 10016  
[Fax and USM]

Heil Trailer  
3808 Bells Lane  
Louisville, KY 40211  
[Fax and USM]

Palmer Leasing  
2575 Tobey Dr.  
Indianapolis, IN 46219  
[Fax and USM]

Post Trailer Repairs  
1905 Sutherland Ave.  
Knoxville, TN 37921  
[Fax and USM]

Webb Trailer  
P.O. Box 907  
Catlettsburg, KY 41129  
[Fax and USM]

Worldwide Equipment  
107 WE Dr.  
Prestonsburg, KY 41653  
[Fax and USM]

First Volunteer Bank  
728 Broad St.  
Chattanooga, TN 37402  
[Fax and USM]

Fleet Pride  
4539 Rutledge Pike  
Knoxville, TN 37914  
[Fax and USM]