

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF COLORADO**

IN RE:

**KINGS PEAK ENERGY, LLC,

DEBTOR.**

CASE NO. 17-16046-EEB

CHAPTER 11

INTERIM ORDER AUTHORIZING DEBTOR'S USE OF CASH COLLATERAL

THIS MATTER having come before the Court upon Debtor's Motion for Expedited Entry of Orders: (1) for Authority to Use Cash Collateral; and (2) to Pay Critical Vendor (the "Motion") and the Declarations of John Teff and Federico Soliz in support thereof, all filed by King's Peak Energy, LLC; this Court having considered the Motion, the limited objection to the Motion filed by Macquarie Bank Limited ("MBL"), having conducted an evidentiary hearing on July 14, 2017, and being fully advised; notice of the Motion having been given in compliance with L.B.R. 2081-1 and it appearing that some of the relief requested in the Motion is in the best interest of Debtor and its estate, its creditors and other parties in interest . Accordingly, this Court (i) grants some of the relief requested in the Motion to prevent immediate and irreparable harm to the Debtor's estate and to facilitate the reorganization of the Debtor's business and (ii) finds as follows:

A. This Court has jurisdiction over this proceeding and the parties and property affected hereby pursuant to 28 U.S.C. §§ 1334 and 157. Consideration of the Motion constitutes a core proceeding as defined in 28 U.S.C. §§ 157(b)(2)(A), (K), (M), and (O).

B. Sufficient and adequate notice of the Motion and the hearing thereon was provided pursuant to Bankruptcy Rules 2002, 4001 (b), 9006, and 9014, Local Bankruptcy Rules 2081-1 and 4001-3, and as required by §§ 361 and 363 of the Bankruptcy Code. Except as provided herein with respect to notice of the Final Hearing and Final Order, no further notice of, or hearing on, the relief sought in the Motion is necessary or required.

Accordingly, the Court orders as follows:

1. The Motion as it pertains to the interim use of Cash Collateral, be and hereby is partially GRANTED.

2. Debtor is authorized to use cash collateral pursuant to the Budget in the form attached to this Order as Exhibit 1 with a line item variance of no more than 15% per week and an overall budget variance of no more than 15% in the aggregate per week.

3. Proven, through its representative appearing before the Court, has agreed to be bound by this Order and it is hereby so ordered that this Order shall be binding upon Proven.

4. Macquarie Bank Ltd. ("Lender" or "MBL") is granted replacement liens with the same priority and validity as its pre-petition liens in Debtor's post-petition assets, to the extent, but only to the extent, of any diminution in the value of said party's collateral as it existed on the date of the filing of Debtor's petition (the "Adequate Protection Liens").

5. The Adequate Protection Liens will be subject to any valid, perfected and unavoidable liens' existing as of the Petition Date that are senior to MBL's prepetition liens, and any valid and senior liens that may arise or be perfected post-petition under § 546(b).

6. To the extent that the Adequate Protection Liens prove to be insufficient, MBL, shall be granted first priority superpriority administrative expense claims under section 507(b) of the Bankruptcy Code with priority in payment over any other administrative expenses of the kinds specified or ordered pursuant to any provision of the Bankruptcy Code, including, without limitation, sections 105, 326, 328, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), 546(c), 726, 1113 and 1114 of the Bankruptcy Code, whether or not such expenses or claims arise in this Chapter 11 case or in any subsequent case or proceedings under the Bankruptcy Code that may result therefrom.

7. Debtor and Proven Petroleum, Inc. ("Proven") shall provide MBL a report by Tuesday of each week commencing July 25, 2017, of (a) the payments made to third parties by Debtor and/or Proven, (b) the payments made to Proven by Debtor, out of cash collateral, and (c) the amounts paid to Proven pursuant to this order ("Payment Report"). Debtor and Proven shall provide to counsel for MBL copies of all invoices for charges listed as paid in the Payment Report, with the Payment Report.

8. Proven shall provide to MBL the name of the bank and account number for the debtor-in-possession account. Proven and/or Debtor shall open, establish and maintain a second separate segregated account ("Escrow Account") to which funds for taxes and any suspended outside owner payments (which include non-working interest owner, overriding royalty interests, royalty payment to landowner and royalty payments) shall be deposited, and (a) shall provide the name of the bank and account number for such Escrow Account to MBL and (b) describe in writing the sources of funds in the Escrow Account.

9. United Sales and Big West are hereby authorized and directed to pay to Debtor all proceeds from the sale of Debtor's hydrocarbons.

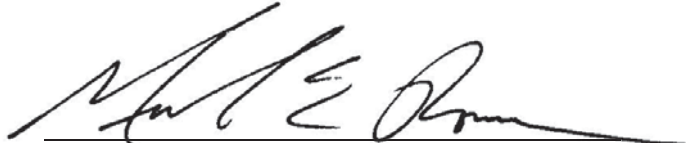
10. Debtor is not authorized to use Cash Collateral to pay any Operator Fee or other amounts to Proven or to pay for Forestry Service Bonds.

11. A Final Hearing on Debtor's Motion for use of cash collateral will be held before the Honorable Elizabeth E. Brown on August 7, 2017 at 9:30 a.m. Any party in interest objecting to the entry of a final or extended interim order for the use of cash collateral shall file a written objection to Debtor's Motion on or before July 31, 2017 and serve a copy on Debtor's counsel,

counsel for MBL, the Office of the U.S. Trustee, and any parties who have entered an appearance and requested notice, failing which such parties shall not be heard.

Debtor shall mail copies of this Order to all parties on the service list for the notice under L.B.R. 2081-1 within two business days hereof.

Dated, July 17, 2017.



UNITED STATES BANKRUPTCY JUDGE

KPE CASH COLLATERAL BUDGET JULY-AUGUST 2017

	3-Jul	10-Jul	17-Jul	24-Jul	31-Jul	Aug.	Totals
Beginning balance *	\$ 524,577.00	\$ 480,133.80	\$ 931,233.19	\$ 1,292,174.62	\$ 1,194,560.54	\$ 1,144,160.54	\$ 1,563,756.61
KPE net revenue ¹	\$ -	\$ 554,858.39	\$ 525,467.82	\$ -	\$ -	\$ 483,430.40	\$ (528,786.42)
KPE Field Expenses	\$ (44,443.20)	\$ (78,759.00)	\$ (48,026.40)	\$ (71,614.08)	\$ (26,400.00)	\$ (259,543.75)	\$ (2,000.00)
Operator Fee ²	\$ -	\$ -	\$ -	\$ (1,000.00)	\$ -	\$ (1,000.00)	\$ -
Misc	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,000.00)	\$ -
INCOME TAXES ³	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (22,500.00)
INSURANCE	\$ -	\$ -	\$ (16,500.00)	\$ -	\$ -	\$ -	\$ -
Attorneys' fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
UST fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounting fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
USFS Road and Maint. ⁴	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
USFS Bond Payment ⁵	\$ 480,133.80	\$ 956,233.19	\$ 1,417,174.61	\$ 1,344,560.53	\$ 1,294,160.53	\$ 1,487,047.53	\$ -
Ending Balance							
Net cash flow	\$ -44,443.20	\$ 476,099.39	\$ 460,941.42	\$ -72,614.08	\$ -50,400.00	\$ 192,887.00	\$ 962,470.53

Notes

* The beginning balance includes \$145,000 held by Macquarie, approximately \$90,000 of which is believed to belong to third parties. The beginning balance does not include approximately \$199,000 held for Proven for the payment of taxes.

¹ KPE is not the operator of its fields. KPE net revenue is gross sale proceeds less the funds held by the operator for the non-working interest owners' portion, royalties payable under KPE's leases, overriding royalty interest, and severance and ad valorem taxes required to be paid by the operator, Proven Petroleum, Inc.

The KPE net revenue anticipated in the week of July 11 has been held in suspense since approximately June 21st.

The KPE net revenue anticipated in the week of July 18 is for the oil sold in June.

² The operator fee is set in the contract operating agreement and consistent with the amounts provided in the underlying unit agreements

³ KPE is a "C" corporation, but does not anticipate owing income tax.

⁴ The USFS road and maintenance work is required by the terms of a lease. The work is done through field vendors, but identified separately from the typical recurring field expenses on page 3.

⁵ the USFS has requested an increase of certain bonds by approximately \$1,440,000.

	Revenue & Trust Funds						Totals
	3-Jul	10-Jul	17-Jul	24-Jul	31-Jul	Aug	
GROSS REVENUE							
UNITED SALES (UT) ¹	\$ -	\$0.00	\$60,000.00	\$0.00	\$0.00	\$55,200.00	\$115,200.00
BIG WEST (WY) ¹	\$ -	\$725,637.05	\$690,000.00	\$0.00	\$0.00	\$634,800.00	\$2,050,437.05
subtotal	\$ -	\$725,637.05	\$750,000.00	\$0.00	\$0.00	\$690,000.00	\$2,165,637.05
OPERATOR REQUIRED DEDUCTIONS²							
OUTSIDE OWNERS ³		-\$153,405.16	-\$145,336.64	\$0.00	\$0.00	-\$133,709.71	-\$432,451.51
SEVERANCE TAX ⁴		-\$40,163.99	-\$38,051.52	\$0.00	\$0.00	-\$35,007.40	-\$113,222.91
AD VAL TAX ⁵		-\$42,956.90	-\$40,697.53	\$0.00	\$0.00	-\$37,441.73	-\$121,096.16
CONSERVATION		-\$471.27	-\$446.48	\$0.00	\$0.00	-\$410.76	-\$1,328.52
FROM SUSPENSE		-\$717.63	\$0.00	\$0.00	\$0.00	\$0.00	-\$717.63
sub total exclude susp.		-\$236,997.32	-\$224,532.18	\$0.00	\$0.00	-\$206,569.60	-\$668,099.10
Totals	\$0.00	-\$237,714.95	-\$224,532.18	\$0.00	\$0.00	-\$206,569.60	-\$668,816.73
KPE NET	\$ -	\$554,858.39	\$525,467.82	\$0.00	\$0.00	\$483,430.40	\$1,563,756.61

Notes

¹ Gross revenues from the field. KPE owns on average approximately 96% of the working interest and 79.3% NRI. KPE produces approximately 560 BOPD and receives NYMEX price less \$5.00 per barrel. The estimated sale proceeds to be received in August are based on 560 BOPD with a NYMEX price of 42.00

² The operator of the field is required to withhold and directly pay these expenses.

³ Outside owners include non-working interest owners, overriding royalty interests, and royalties to landowners.

⁴ Severance and conservation tax are paid monthly or quarterly.

⁵ Ad Valorem property taxes are paid in installments in November and May.

Field Expense July / Aug. 2017

	3-Jul	10-Jul	17-Jul	24-Jul	31-Jul	Aug	Total
Perry Brothers							
Kade Loger	\$3,225.00		\$3,225.00		\$ -	\$ 6,450.00	\$12,900.00
Randy Lambo	\$3,225.00		\$3,225.00		\$ -	\$ 6,450.00	\$12,900.00
Dan Combs	\$3,225.00		\$3,225.00		\$ -	\$ 6,450.00	\$12,900.00
Casey Hoffman	\$6,300.00		\$7,087.50		\$ -	\$ 13,387.50	\$26,775.00
Mike Potter	\$6,720.00		\$7,455.00		\$ -	\$ 14,175.00	\$28,350.00
Equipment	\$6,000.00		\$6,000.00		\$ -	\$ 12,000.00	\$24,000.00
sub total	\$28,695.00		\$30,217.50		\$ -	\$ 58,912.50	\$117,825.00
Loger							
Water Hauling	\$14,600.00		\$16,060.00		\$ -	\$ 30,660.00	\$61,320.00
Industrial HP							
Mechanics	\$ -	\$12,400.00	\$ -	\$12,400.00	\$ -	\$ 4,800.00	\$29,600.00
J&D							
Mechanic/Pump	\$ -	\$10,400.00	\$ -	\$12,400.00	\$ -	\$ 22,800.00	\$45,600.00
GHD							
Env Testing	\$ -	\$0.00	\$ -	\$5,000.00	\$ -	\$ 5,000.00	\$10,000.00
AB							
Hot Oilers	\$ -	\$5,300.00	\$ -	\$5,300.00	\$ -	\$ 10,600.00	\$21,200.00
DJ Oilfield							
Chemical	\$ -		\$ -		\$ -	\$ 8,000.00	\$8,000.00
NEC							
Electrical/Pumps	\$3,000.00		\$3,750.00			\$ 6,750.00	\$13,500.00
Big Pee							
Rentals/Service	\$ -		\$ -		\$ -	\$ 1,590.00	\$1,590.00
Pilot Logistics							
Fuel/Oil/Glycol	\$ -		\$ -	\$6,500.00	\$ -	\$ 6,500.00	\$13,000.00
Brid Valley Elec							
Electricity	\$ -	\$0.00	\$ -	\$14,500.00	\$ -	\$ 14,500.00	\$29,000.00
Dynamic Ag							
Air Compressor	\$ -		\$ -		\$ -	\$ 3,800.00	\$3,800.00
Arch Rock							
Compressors	\$ -		\$ -	\$18,498.00	\$ -	\$ 36,996.00	\$55,494.00
Civeo							
Rental H2O Tank	\$ -		\$ -		\$ -	\$ 813.75	\$813.75
Ace							
Rental Trash	\$ -		\$ -		\$ -	\$ 250.00	\$250.00
Norco							
Rental Air Tanks	\$ -		\$ -		\$ -	\$ 145.82	\$145.82
PetCon Associate							
Pumpers/Rentals	\$ -	\$27,500.00	\$ -		\$27,500.00	\$55,000.00	\$110,000.00
Union Wireless		\$0.00					
Communication				\$0.00		\$ 800.00	\$800.00
Misc Parts						\$ 2,200.00	\$2,200.00
Carquest						\$ 240.00	\$240.00
Rights of Way							
LYMAN GRAZING		\$4,596.62				0	\$4,596.62
SLEA 419		\$16,330.80				0	\$16,330.80
WALTER JAMES		\$533.20				0	\$533.20
CAROLEX		\$4,980.00				0	\$4,980.00
Totals	\$46,295.00	\$82,040.62	\$50,027.50	\$74,598.00	\$27,500.00	\$270,358.07	\$550,819.19
KPE portion	\$44,443.20	\$78,759.00	\$48,026.40	\$71,614.08	\$26,400.00	\$259,543.75	\$528,786.42

These are the third party vendors who contract with Proven to perform field work for the Assets.

Most vendors bill for their services in arrears. The exceptions are: Pilot Logistics, Brid Valley Elec. And Petcon, which have already been paid for June services. The amounts included for those vendors are for work done in month paid. Three other vendors have agreed to be paid on such a schedule: Perry Brothers, Loger, and NEC.

The rights of way payment are made annually.

The highlighted payments would be made to prepetition debt which KPE believes are are likley to stop work otherwise KPE believes the bulk of the vendors have filed or are entitled to liens.