

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

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In re	:	Chapter 11
	:	
PROSPECTOR OFFSHORE	:	Case No. 17-11572 (CSS)
DRILLING S.à r.l., et al,	:	
	:	Jointly Administered
Debtors.¹	:	Re: Docket No. 5
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INTERIM ORDER (I) AUTHORIZING LIMITED USE OF CASH COLLATERAL, (II) GRANTING ADEQUATE PROTECTION, (III) SCHEDULING A FINAL HEARING, AND (IV) GRANTING RELATED RELIEF PURSUANT TO SECTIONS 105, 361, 362, 363, AND 364 OF THE BANKRUPTCY CODE

Upon the motion, dated July 20, 2017 (the “**Motion**”),² of Prospector Offshore Drilling S.à r.l. and its affiliated debtors in the above-captioned chapter 11 cases, as debtors and debtors in possession (collectively, the “**New Debtors**”) for entry of an order (a) authorizing the Prospector New Debtors (as defined below) to use Cash Collateral, (b) granting adequate protection to the Security Agent, (c) scheduling a final hearing on the Motion pursuant to Bankruptcy Rule 4001(b), and (d) granting related relief, as more fully set forth in the Motion; and upon consideration of the Ahlstrom Declaration; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334, and the *Amended Standing Order of Reference* from the United States District Court for the District

¹ The New Debtors in these chapter 11 cases, along with the last four digits of each New Debtor’s federal tax identification number, as applicable, are: Prospector Offshore Drilling S.à r.l. (4427); Prospector Rig 1 Contracting Company S.à r.l. (7441); Prospector Rig 5 Contracting Company S.à r.l. (0985); and Paragon Offshore plc (in administration) (6017). The mailing address for Prospector Offshore Drilling S.à r.l., Prospector Rig 1 Contracting Company S.à r.l., and Prospector Rig 5 Contracting Company S.à r.l. is 3151 Briarpark Drive, Suite 700, Houston, Texas 77042. The mailing address for Paragon Offshore plc (in administration) is c/p Deloitte LLP, Four Brindleyplace, Birmingham, B1 2HZ, United Kingdom. Neville Barry Kahn and David Philip Soden, each of Deloitte LLP, are the joint administrators of Paragon Offshore plc (in administration) (the “**Joint Administrators**”). The affairs, business and property of Paragon Offshore plc (in administration) are managed by the Joint Administrators.

² All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.



of Delaware dated February 29, 2012; and consideration of the Motion and the requested relief being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been provided to the Notice Parties (as defined herein), and it appearing that no other or further notice need be provided; and the Court having reviewed the Motion; and the Court having held an interim hearing to consider the relief requested in the Motion on July 27, 2017 (the “**Interim Hearing**”); and the Court having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and the Court having determined that the relief requested in the Motion is in the best interests of the New Debtors, their estates, their creditors, and all parties in interest; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor, **THE COURT HEREBY FINDS THAT:**

A. *Petition Date.* On July 20, 2017 (the “**Petition Date**”), each New Debtor filed a voluntary petition with this Court commencing a case under chapter 11 of the Bankruptcy Code (the “**Chapter 11 Cases**”).

B. *Jurisdiction and Venue.* This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware*, dated February 29, 2012. This is a core proceeding pursuant to 28 U.S.C. § 157(b), and the New Debtors confirmed their consent pursuant to Local Rule 9013-1(f) to the entry of a final order by the Court in connection with the Motion to the extent that it is later determined that the Court, absent the consent of the parties, cannot enter final orders or judgments in connection with the Motion consistent with Article III of the United States Constitution. Venue is proper before this Court pursuant to 28 U.S.C.

§§ 1408 and 1409. The statutory and legal predicates for the relief sought herein are sections 105, 361, 362, 363 and 364 of the Bankruptcy Code, Bankruptcy Rules 2002 and 4001 and Local Rules 4001-2.

C. *Notice.* Notice of the Motion and the Interim Hearing has been provided to (i) the Office of the United States Trustee for the District of Delaware; (ii) the New Debtors' twenty (20) largest unsecured creditors on a consolidated basis; (iii) Clifford Chance LLP (Attn: Jennifer C. DeMarco, Esq. (jennifer.demarco@cliffordchance.com)), counsel to SinoEnergy Capital Management, Ltd. ("**SinoEnergy**"), Industrial and Commercial Bank of China Limited ("**ICBC**"), Prospector One Corporation ("**Prospector One**") and Prospector Five Corporation ("**Prospector Five**" and, together with SinoEnergy, ICBC and Prospector One, the "**Sale-Leaseback Parties**"); (iv) the Internal Revenue Service; (v) the United States Attorney's Office for the District of Delaware; and (vi) any other party entitled to notice pursuant to Local Rule 9013-1(m) (collectively, the "**Notice Parties**").

D. *Prospector New Debtors' Stipulations.* Without prejudice to the rights of any party-in-interest with standing other than the Prospector New Debtors (but subject to the limitations thereon described herein), the Prospector New Debtors hereby admit, acknowledge, agree and stipulate as follows:

- i. Pursuant to (a) that certain Lease Agreement dated as of June 3, 2015 by and between Prospector One Corporation (the "**Prospector One Lessor**"), as lessor, and New Debtor Prospector One Rig Contracting Company S.à r.l. (the "**Prospector One Lessee**"), as lessee (as amended, supplemented or otherwise modified from time to time, the "**Prospector 1 Lease Agreement**"), and (b) that certain Lease Agreement dated as of June 3, 2015 by and between Prospector Five Corporation, as lessor (the "**Prospector Five Lessor**" and, together with the Prospector One Lessor, the "**Third Party Lessors**"), and New Debtor Prospector Five Rig Contracting Company S.à r.l. (the "**Prospector Five Lessee**" and, together with the Prospector One

Lessee, the “**Lessee Debtors**”), as lessee (as amended, supplemented, or otherwise modified from time to time, the “**Prospector 5 Lease Agreement**” and, together with the Prospector 1 Lease Agreement, the “**Sale-Leaseback Agreements**”), the Lessee Debtors leased the Rigs from the Third Party Lessors.

- ii. Pursuant to certain “**Security Documents**” (such term as defined in the Sale-Leaseback Agreements) including, among other things, (a) that certain Pledge Over Shares Agreement dated as of July 24, 2015 by and between New Debtor Paragon Offshore plc (“**Paragon Parent**”), as pledgor, the Third Party Lessors, as pledgees, and New Debtor Prospector Offshore Drilling S.A. n/k/a Prospector Offshore Drilling S.à r.l. (“**Prospector Parent**” and, together with the Prospector One Lessee and the Prospector Five Lessee, the “**Prospector New Debtors**”); (b) that certain Pledge Over Shares Agreement (Prospector One Lessee) dated as of July 24, 2015 by and between Prospector Parent, as pledgor, the Prospector One Lessor, as pledgee, and the Prospector One Lessee; (c) that certain Pledge Over Shares Agreement (Prospector Five Lessee) dated as of July 24, 2015 by and between Prospector Parent, as pledgor, the Prospector Five Lessor, as pledgee, and the Prospector Five Lessee; (d) that certain Account Control and Pledge Agreement dated as of July 24, 2015 by and between the Prospector One Lessee, as pledgor, the Prospector One Lessor, as pledgee, and ICBC (the “**Prospector 1 Pledge Agreement**”) and (e) that certain Account Control and Pledge Agreement dated as of July 24, 2015 by and between the Prospector Five Lessee, as pledgor, the Prospector Five Lessor, as pledgee, and ICBC (the “**Prospector 5 Pledge Agreement**,” and together with the Prospector 1 Pledge Agreement, the “**Pledge Agreements**”) the Prospector New Debtors granted security interests (the “**Prepetition Liens**”) in, among other things, cash held in certain pledged bank accounts listed in the Pledge Agreements (the “**Pledged Accounts**”) listed in Schedule 1 to each of the Pledge Agreements (the “**Prepetition Collateral**”) to secure the “**Secured Obligations**” (such term as defined in the Security Documents) owed to the Sale-Leaseback Parties under the “**Operative Documents**” (such term as defined in the Sale-Leaseback Agreements).
- iii. The Sale-Leaseback Parties assert that the Secured Obligations constitute the legal, valid and binding obligations of the Prospector New Debtors, enforceable in accordance with their terms (except as subject to the stay of enforcement arising under section 362 of the Bankruptcy Code), and the Prospector New Debtors reserve all rights with respect to the Sale-Leaseback Parties’ assertion.

- iv. The Sale-Leaseback Parties assert that no portion of the Secured Obligations and no amounts paid at any time to any of the Sale-Leaseback Parties in respect of the Secured Obligations, the Operative Documents, and the transactions contemplated thereby is subject to contest, attack, objection, recoupment, setoff, avoidance, reclassification, reduction, disallowance, recovery or subordination or other challenge pursuant to the Bankruptcy Code or applicable nonbankruptcy law, and the Prospector New Debtors reserve all rights with respect to the Sale-Leaseback Parties' assertion.
- v. All of the Prospector New Debtors' cash deposited in the Pledged Accounts constitutes Cash Collateral of the Sale-Leaseback Parties, as applicable.
- vi. Unencumbered Cash. As of the Petition Date, the Prospector New Debtors assert that approximately \$17 million of cash held in non-ICBC accounts owned or controlled by the Prospector New Debtors is unencumbered (the "**Unencumbered Cash**") and each of the Sale-Leaseback Parties reserve all rights with respect to the Prospector New Debtors' assertion.

E. *Need for Use of Cash Collateral*. In order to prevent immediate and irreparable harm to the estates pending the Final Hearing, the Prospector New Debtors require the use of Cash Collateral to pay certain expenses of the Prospector New Debtors including, among other things, monthly lease payments due under the Sale-Leaseback Agreements, adequate protection payments provided for in this Interim Order, and working capital and operating expenses on account of the Rigs, each solely in accordance with the terms and conditions of the Sale-Leaseback Agreements and the other Operative Documents as set forth in the budget attached hereto as Exhibit 1 (the "**Budget**"). The terms and conditions of this Interim Order are fair and reasonable and the entry of this Interim Order is in the best interests of the Prospector New Debtors' estates and creditors.

F. *Consent to Use of Cash Collateral*. The Security Agent and the other Sale-Leaseback Parties have consented to the Prospector New Debtors' use of Cash Collateral in accordance with the terms and conditions of the Sale-Leaseback Agreements and the other

Operative Documents as set forth in the Budget. Such consent is expressly limited to the use of Cash Collateral as contemplated by the Sale-Leaseback Agreements and the other Operative Documents as set forth in the Budget, and the provision of adequate protection herein, and shall not extend to any modified version of the use of Cash Collateral. As a condition to the authorization to use Cash Collateral, the Sale-Leaseback Parties require, and the Prospector New Debtors have agreed, that Cash Collateral shall be used only in a manner consistent with the terms and conditions of the Sale-Leaseback Agreements and the other Operative Documents.

G. *Entitlement to Adequate Protection.* The Sale-Leaseback Parties are entitled, pursuant to sections 361, 363(c)(2) and 363(e) of the Bankruptcy Code, to adequate protection of their interests in the Prepetition Collateral, including the Cash Collateral, in an amount equal to the aggregate diminution, if any, in value of the applicable Sale-Leaseback Party's interest in the Prepetition Collateral from and after the Petition Date and the imposition of the automatic stay pursuant to section 362 of the Bankruptcy Code (collectively, and solely to the extent of any such diminution in value, the "**Diminution in Value**").

Based on the foregoing, and upon the record made before this Court at the Interim Hearing, and good and sufficient cause appearing therefor, **IT IS HEREBY ORDERED THAT:**

1. *Motion Granted.* The Motion is granted on an interim basis on the terms and conditions set forth herein. Any objections to the interim relief requested in the Motion that have not previously 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, through the Termination Date (defined below), the Prospector New

Debtors are authorized to use Cash Collateral to pay the expenses of the Prospector New Debtors solely in accordance with and pursuant to the terms and provisions of the Sale-Leaseback Agreements and the other Operative Documents as set forth in the Budget. The Prospector New Debtors shall not be authorized to use Cash Collateral to pay any expenses of Paragon Parent. For the avoidance of doubt, the Prepetition Liens on the Prepetition Collateral shall, subject to paragraphs 9-11 below, remain in place.

3. *Adequate Protection.* As adequate protection, the Security Agent, on behalf of itself and the other Sale-Leaseback Parties, is hereby granted the following relief:

- i. solely to the extent of the Diminution in Value of the interest of the Sale-Leaseback Parties in the Prepetition Collateral from and after the Petition Date, continuing, valid, binding, enforceable, unavoidable and automatically perfected postpetition priming liens and security interests (the “**Adequate Protection Liens**”) in all of the Prospector New Debtors’ rights in tangible and intangible assets, including without limitation, all prepetition and postpetition property of the Prospector New Debtors’ estates, and all products and proceeds thereof, whether existing on or as of the Petition Date or thereafter acquired, including without limitation, accounts receivable, other rights to payment, cash, inventory, general intangibles, contracts, servicing rights, servicing receivables, securities, chattel paper, owned real estate, real property leaseholds, fixtures, machinery, equipment, deposit accounts, patents, copyrights, trademarks, trade names, rights under license agreements and other intellectual property, claims and causes of action, and the proceeds, rents or profits of all of the foregoing (collectively, the “**Adequate Protection Collateral**”), subject only to the Carve Out (defined below); provided, that, prior to the entry of a Final Order, the Adequate Protection Collateral shall not include any actions under sections 544, 545, 547, 548, 549 and 550 of the Bankruptcy Code (collectively, the “**Avoidance Actions**”) or the proceeds or property recovered, unencumbered or otherwise from successful Avoidance Actions, whether by judgment, settlement or otherwise; provided further that, in the event of a successful Challenge (defined below) to the validity of the Prepetition Liens, the Adequate Protection Liens shall be invalid to the same extent as the Prepetition Liens subject to such successful Challenge. Except as expressly provided in this Interim Order or as otherwise agreed to by the parties, the Adequate Protection Liens

shall be senior in priority to all other liens, including the Prepetition Liens, and shall not be made subject to or *pari passu* with any lien or security interest heretofore or hereinafter granted or created in any of the Chapter 11 Cases or any successor cases and shall be valid and enforceable against the Prospector New Debtors, their estates and any successors thereto, including, without limitation, any trustee appointed in any of the Chapter 11 Cases or any successor cases until such time as the Secured Obligations are paid in full. The Adequate Protection Liens shall not be subject to sections 549 or 550 of the Bankruptcy Code. No lien or interest avoided and preserved for the benefit of the Prospector New Debtors' estates pursuant to section 551 of the Bankruptcy Code shall be *pari passu* with or senior to the Prepetition Liens or the Adequate Protection Liens;

- ii. solely to the extent of the Diminution in Value of the interest of the Sale-Leaseback Parties in the Prepetition Collateral from and after the Petition Date, superpriority administrative expense claims (the "**Adequate Protection Claims**"), subject only to the Carve Out (defined below), which claims shall be senior to and have priority over any administrative expense claims, unsecured claims and all other claims against the Prospector New Debtors or their estates in any of the Chapter 11 Cases or any successor cases, at any time existing or arising, of any kind or nature whatsoever, including, without limitation, (a) administrative expenses or other claims of the kinds specified in or ordered pursuant to sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 506(c) (subject to entry of the Final Order), 507(a), 507(b), 546(c), 546(d), 726, 1113 and 1114 of the Bankruptcy Code, and any other provision of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other non-consensual lien, levy, or attachment, or (b) any claims allowed pursuant to the obligations under the Operative Documents. The Adequate Protection Claims shall, for purposes of section 1129(a)(9)(A) of the Bankruptcy Code, be considered an administrative expense allowed under section 503(b) of the Bankruptcy Code, shall be against each Prospector New Debtor on a joint and several basis, and shall be payable from and have recourse to all Adequate Protection Collateral (including, without limitation, any and all claims and causes of action and the proceeds thereof), including, subject to the entry of the Final Order, Avoidance Actions and the proceeds thereof. Subject to the Carve Out, the Adequate Protection Claims shall not be made subject to or *pari passu* with any claim heretofore or hereinafter granted or created in any of the Chapter 11 Cases or any successor cases and shall be valid and enforceable against the Prospector New Debtors, their estates and any successors thereto, including, without limitation, any trustee

appointed in any of the Chapter 11 Cases or any successor cases;
and

- iii. subject to the limitations set forth below, payment upon demand of all reasonable and documented fees, costs, expenses and other amounts payable under the terms of the Operative Documents and all other reasonable out-of-pocket costs and expenses of the Security Agent and the other Sale-Leaseback Parties in accordance with the terms of the Operative Documents (including, without limitation, the reasonable and documented prepetition and postpetition fees and out-of-pocket costs and expenses of Clifford Chance LLP, as counsel to the Security Agent and the other Sale-Leaseback Parties, and any other necessary or appropriate counsel, advisors, professionals and/or consultants in connection with advising the Security Agent and the other Sale-Leaseback Parties), subject to receiving a written invoice therefor, and regardless of whether such amounts are in excess of any amounts set forth in the Budget. None of such fees, costs, expenses or other amounts shall be subject to Court approval (subject to the limitations below) and no recipient of any such payment shall be required to file with respect thereto any interim or final fee application with this Court; provided, however, that copies of any such invoices shall be provided contemporaneously to the U.S. Trustee and counsel to any official committee of unsecured creditors appointed in the Chapter 11 Cases (a “Committee”); provided further, however, that such invoices may contain redactions, and for the avoidance of doubt, the provision of such invoices shall not constitute a waiver of the attorney-client privilege or any benefits of the attorney work product doctrine. If any of the New Debtors, the U.S. Trustee, or any Committee objects to the reasonableness of the fees and expenses of any of the Security Agent or the other Sale-Leaseback Parties, and such objection cannot be resolved within ten (10) days of receipt of such invoices, the Prospector New Debtors, the U.S. Trustee, or such Committee, as the case may be, shall file with the Court and serve on the Sale-Leaseback Parties a fee objection. Professionals for the Security Agent and the other Sale-Leaseback Parties shall not be required to submit invoices to the Court, U.S. Trustee, any Committee or any other party-in-interest. The professional fees of the Security Agent and the other Sale-Leaseback Parties shall not be subject to the provisions of sections 327, 328, 329, 330 or 331 of the Bankruptcy Code. The Prospector New Debtors shall pay in accordance with the terms and conditions of this Interim Order within fifteen (15) days after receipt of the applicable invoice (a) the full amount invoiced if no fee objection has been timely filed, and (b) the undisputed fees, costs, and expenses reflected on any invoice to which a fee objection has been timely filed, in each case regardless of whether such amounts

are in excess of the amounts set forth in the Budget. All such fees, costs, expenses and other amounts owed or payable to the Security Agent and the other Sale-Leaseback Parties shall be secured by the Prepetition Liens and Adequate Protection Liens, and afforded all of the priorities and protections afforded to the Secured Obligations under this Interim Order and the Operative Documents.

(collectively, the “**Adequate Protection**”). The receipt by the Security Agent, on behalf of itself and the other Sale-Leaseback Parties, of the Adequate Protection provided pursuant to this Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, the rights of the Sale-Leaseback Parties to seek additional forms of adequate protection at any time. Nothing contained herein shall impair or modify the application of section 507(b) of the Bankruptcy Code in connection with any request for additional adequate protection by any party. In connection with the Adequate Protection set forth in (i) and (ii) above, the “**Carve Out**” shall mean the following: (i) all statutory fees required to be paid by the Prospector New Debtors to the Clerk of the Bankruptcy Court and to the Office of the U.S. Trustee in such amounts as agreed to by the U.S. Trustee or as determined by order of the Court under section 1930(a) of title 28 of the United States Code; (ii) the reasonable fees and expenses up to \$50,000 incurred by a trustee appointed in the Prospector New Debtors’ cases under section 726(b) of the Bankruptcy Code; and (iii) accrued and unpaid reasonable fees, disbursements, costs, and expenses incurred by professionals or professional firms retained by the Debtors or their estates pursuant to sections 327, 328, or 363 of the Bankruptcy Code as may be agreed and included in a Final Order.

4. *Perfection of Adequate Protection Liens.* The Security Agent, on behalf of itself and the other Sale-Leaseback Parties is hereby authorized, but not required, to file or record financing statements, intellectual property filings, mortgages, notices of lien or similar instruments in any jurisdiction in order to validate and perfect the liens and security interests

granted pursuant to this Interim Order. Whether or not the Security Agent shall, in its sole discretion, choose to file such financing statements, intellectual property filings, mortgages, notices of lien or similar instruments, such liens and security interests are deemed valid, perfected, allowed, enforceable, non-avoidable and not subject to challenge, dispute or subordination as of the date of entry of this Interim Order and shall continue to be deemed valid, perfected, allowed, enforceable, non-avoidable and not subject to challenge, dispute or subordination. If the Security Agent determines to file any financing statements, notice of liens or similar instruments, the Prospector New Debtors shall cooperate and assist in any such filings as reasonably requested by the Security Agent, and the automatic stay shall be modified to allow such filings. A certified copy of this Interim Order may, in the discretion of the Security Agent be filed with or recorded in filing or recording offices in addition to or in lieu of such financing statements, mortgages, notices of lien or similar instruments, and all filing offices are hereby authorized to accept such certified copy of this Interim Order for filing and recording; provided that the Prospector New Debtors shall reimburse the Security Agent or its respective designees for the payment of any stamp, intangibles, recording or similar tax.

5. *Waiver of Bankruptcy Code Section 506(c)*. Subject to the entry of the Final Order, the Prospector New Debtors irrevocably waive and shall be prohibited from asserting any surcharge claim, under section 506(c) of the Bankruptcy Code or otherwise, for any costs and expenses incurred in connection with the preservation, protection or enhancement of, or realization by the Security Agent or the other Sale-Leaseback Parties upon, the Prepetition Collateral, and no costs or expenses of administration that have been or may be incurred in any of the Chapter 11 Cases or any subsequent chapter 7 cases at any time shall be charged against

the Security Agent or the other Sale-Leaseback Parties or any of their respective claims or liens (including any claims or liens granted pursuant to this Interim Order).

6. *Application of Bankruptcy Code Section 552(b)*. Upon entry of the Final Order, the Security Agent and the other Sale-Leaseback Parties shall be entitled to all of the rights and benefits of section 552(b) of the Bankruptcy Code, and the “equities of the case” exception under section 552(b) shall not apply to the Security Agent or the other Sale-Leaseback Parties with respect to the proceeds, products, offspring, or profits of any of the Prepetition Collateral.

7. *No Marshaling*. Subject to the Final Order, in no event shall the Security Agent or the other Sale-Leaseback Parties be subject to the equitable doctrine of “marshaling” or any other similar doctrine with respect to the Prepetition Collateral, and all proceeds thereof shall be received and used in accordance with this Interim Order.

8. *Limitation on Use of Cash Collateral*. Notwithstanding anything herein to the contrary, solely for this Interim Order and without prejudice to the rights of the Prospector New Debtors and the Sale-Leaseback Parties in connection with the Final Order, no portion of the Cash Collateral shall include, apply to, or be available for any fees, costs or expenses incurred by any party, including the Prospector New Debtors or any Committee, in connection with any of the following:

- i. the investigation (including by way of examinations or discovery proceedings), initiation, assertion, joining, commencement, support or prosecution of any claims, causes of action, adversary proceedings, or other litigation against any of the Sale-Leaseback Parties, and each of their respective successors, assigns, affiliates, parents, subsidiaries, partners, controlling persons, representatives, agents, attorneys, advisors, financial advisors, consultants, professionals, officers, directors, members, managers, shareholders, and employees, past, present and future, and their respective heirs, predecessors, successors and assigns, in each case

in their respective capacities as such and with respect to any transaction, occurrence, omission, action or other matter related to any Prospector New Debtor (including formal discovery proceedings in anticipation thereof), including, without limitation, (a) investigating or challenging the amount, validity, extent, perfection, priority, or enforceability of, or asserting any defense, counterclaim, or offset to the Secured Obligations or Prepetition Liens (a "**Challenge Claim**"), (b) investigating or asserting any claims or causes of action arising under chapter 5 of the Bankruptcy Code against the Sale-Leaseback Parties, and (c) investigating or asserting any action seeking to invalidate, set aside, avoid or subordinate, in whole or in part, the Secured Obligations;

- ii. the assertion of any claims or causes of action against the Sale-Leaseback Parties, including, without limitation, claims or actions to hinder or delay the assertions, enforcement or realization on the liens securing the Secured Obligations in accordance with this Interim Order;
- iii. seeking to modify any of the rights, remedies, priorities, privileges, protections and benefits granted to the Sale-Leaseback Parties hereunder or under the Operative Documents;
- iv. the payment of any amount on account of any claims arising prior to the Petition Date, unless such payments are approved by order of the Bankruptcy Court; or
- v. any purpose that is prohibited under the Bankruptcy Code.

9. *Challenges.* The Committee (if granted standing) shall have a maximum of sixty (60) calendar days from the date of the Committee's appointment, and the Prospector New Debtors and any other party-in-interest other than the Prospector New Debtors (if granted standing) shall have a maximum of seventy five (75) calendar days from entry of this Interim Order (collectively, the "**Challenge Period**") to commence an appropriate contested matter or adversary proceeding (a "**Challenge**") asserting any Challenge Claim; provided, however, that if the Chapter 11 Cases are converted to cases under chapter 7 of the Bankruptcy Code prior to the earlier of (x) a determination by the Committee not to bring a Challenge, or (y) the expiration of the Challenge Period, then a chapter 7 trustee appointed in the chapter 7 cases (and only a

chapter 7 trustee) shall have an additional thirty (30) days after the chapter 7 trustee's appointment in which to bring a Challenge.

10. If a Challenge is not filed prior to the end of the Challenge Period (or such other later date as ordered by this Court or extended by the written consent of the Sale-Leaseback Parties), then: (a) the agreements, acknowledgements and stipulations contained in paragraph D of this Interim Order shall be irrevocably binding on the Prospector New Debtors, any Committee, all creditors of the Prospector New Debtors , and all parties-in-interest and any and all successors-in-interest as to any of the foregoing, including any chapter 11 trustee or chapter 7 trustee appointed in the Chapter 11 Cases or any subsequent chapter 7 cases, without further action by any party or this Court, and the Prospector New Debtors , any Committee, all creditors of the Prospector New Debtors , and any other party-in-interest and any and all successors-in-interest as to any of the foregoing, including any chapter 11 trustee or chapter 7 trustee appointed in the Chapter 11 Cases or any subsequent chapter 7 cases, shall thereafter be forever barred from bringing any Challenge with respect thereto; (b) the Prepetition Liens of the Sale-Leaseback Parties shall be deemed to constitute valid, binding, enforceable and perfected liens and security interests not subject to avoidance or disallowance pursuant to the Bankruptcy Code or applicable non-bankruptcy law; (c) the Secured Obligations shall be deemed to be finally allowed claims for all purposes against each of the Prospector New Debtors , including in any subsequent chapter 7 cases, and shall not be subject to challenge by any party-in-interest as to validity, priority or otherwise; and (d) the Prospector New Debtors shall be deemed to have released, waived and discharged the Sale-Leaseback Parties (whether in their prepetition or postpetition capacity), together with each of their respective affiliates, parents, subsidiaries, partner, controlling persons, agents, attorneys, professionals, officers, directors and employees,

from any and all claims and causes of action arising out of, based upon or related to, in whole or in part, the Secured Obligations.

11. Notwithstanding anything to the contrary herein: (a) if any such Challenge is timely commenced, the stipulations contained in paragraph D of this Interim Order shall nonetheless remain binding and preclusive on all parties-in-interest (other than the party that has brought such Challenge in connection therewith, and then only with respect to the stipulations that are subject to the Challenge and not to any stipulations not subject to the Challenge) except to the extent that such stipulations are successfully challenged in such Challenge; and (b) the Sale-Leaseback Parties reserve all of their rights to contest on any grounds any Challenge and preserve any and all of their rights to appeal and stay any orders issued in connection with a successful Challenge. For the avoidance of doubt, nothing in this Interim Order vests or confers on the Committee or any person (as defined in the Bankruptcy Code) standing or authority to pursue any cause of action belonging to the Prospector New Debtors or their estates.

12. *Termination.* The Prospector New 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 earliest to occur of (i) August 31, 2017 and (ii) the occurrence of any of the events set forth in clauses (i) through (ix) below (unless waived in writing by the Security Agent) (the events set forth in clauses (i) through (ix) below are collectively referred to herein as "**Termination Events**");

- i. the Prospector New Debtors shall fail to make any payment to the Sale-Leaseback Parties under this Interim Order or the Operative Documents within three (3) business days after such payment becomes due;
- ii. the Prospector New Debtors shall fail to: (a) comply with any material provision of this Interim Order; or (b) comply with any other covenant or agreement specified in this Interim Order in any material respect, and such failure to comply with any such other

covenant or agreement shall continue unremedied for five (5) business days following notice by the Security Agent of such failure;

- iii. the Prospector New Debtors shall create, incur or suffer to exist any post-petition liens or security interests other than: (a) those granted pursuant to this Interim Order; (b) carriers', maritime, mechanics', operator's, warehousemen's, repairmen's or other similar liens arising in the ordinary course of business; (c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation; (d) deposits to secure the payment of any post-petition statutory obligations, performance bonds and other obligations of a like nature incurred in the ordinary course of business; and (e) any other junior liens or security interests that the Prospector New Debtors are permitted to incur under the Operative Documents;
- iv. the Prospector New Debtors shall create, incur or suffer any other claim which is *pari passu* with or senior to the Adequate Protection Claim;
- v. any party in interest seeks the entry of an order reversing, amending, supplementing, staying, vacating or otherwise modifying this Interim Order without the consent of the Sale-Leaseback Parties;
- vi. an order shall be entered dismissing any of the Chapter 11 Cases;
- vii. an order shall be entered converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code;
- viii. an order shall be entered appointing a chapter 11 trustee, responsible officer, or any examiner with enlarged powers relating to the operation of the businesses in the Chapter 11 Cases, unless consented to in writing by the Sale-Leaseback Parties; or
- ix. the filing by any New Debtor of any motion, pleading, application or adversary proceeding challenging the validity, enforceability, perfection or priority of the liens securing the Secured Obligations or asserting any other cause of action against and/or with respect to the Secured Obligations or the Prepetition Collateral securing such obligations (or if the New Debtors support any such motion, pleading, application or adversary proceeding commenced by any third party).

13. *Automatic Stay.* The automatic stay imposed under section 362(a) of the Bankruptcy Code is hereby modified as necessary to effectuate all of the terms, rights, benefits,

privileges, remedies and provisions of this Interim Order, including, without limitation, to permit: (a) the Prospector New Debtors to take all appropriate actions necessary to (i) grant the Adequate Protection Liens, Adequate Protection Claims, or any other liens or claims set forth herein, and (ii) ensure that the Adequate Protection Liens or any other liens granted hereunder are perfected and maintain the priority set forth herein; (b) the Prospector New Debtors to incur all liabilities and obligations contemplated under this Interim Order; (c) the Prospector New Debtors to pay all amounts referred to, required under, in accordance with, and subject to this Interim Order; (d) the Sale-Leaseback Parties to retain and apply payments made in accordance with this Interim Order; and (e) the Security Agent and the other Sale-Leaseback parties to exercise, upon the occurrence of any Termination Event, all rights and remedies provided for in the Operative Documents and take any or all actions provided therein; provided, however, that prior to the exercise of such rights and remedies, the Sale-Leaseback Parties shall be required to provide five (5) business days' written notice to the Prospector New Debtors, counsel to any Committee, and the U.S. Trustee. Unless the Court orders otherwise, the automatic stay, as to the Sale-Leaseback Parties, shall automatically terminate at the end of such five (5) business day notice period, without further notice, motion or application to, order of or hearing before this Court. For the avoidance of doubt, no party-in-interest shall have the right to contest the enforcement of the rights and remedies set forth in this Interim Order or the Operative Documents on any basis other than an assertion that no Termination Event has occurred and is continuing. This Court shall retain exclusive jurisdiction to hear and resolve any disputes and enter any orders required by the provisions of this paragraph and relating to the application, re-imposition or continuance of the automatic stay as provided hereunder.

14. *Exercise of Remedies by the Sale-Leaseback Parties.* The rights and remedies of the Sale-Leaseback Parties specified herein are cumulative and not exclusive of any rights or remedies that the Sale-Leaseback Parties may have under the Operative Documents or otherwise. The delay or failure to exercise rights and remedies under the applicable Operative Documents or this Interim Order by the Security Agent or the other Sale-Leaseback Parties shall not constitute a waiver of the applicable Security Agent's and/or Sale-Leaseback Parties' rights hereunder, thereunder or otherwise, unless such waiver is pursuant to a written instrument executed in accordance with the terms of the applicable Operative Documents and this Interim Order, as applicable.

15. *All Parties' Reservation of Rights.* All parties reserve their rights to argue that, to the extent that any cash payment of interest, fees and expenses as Adequate Protection to the Sale-Leaseback Parties 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 Prospector New Debtors' use of Prepetition Collateral or under a plan), such payments should be recharacterized and applied as payments of principal amounts owed under the applicable Sale-Leaseback Agreements; provided that the Sale-Leaseback Parties reserve their rights to assert defenses to any such arguments and to otherwise oppose any such recharacterization or application.

16. *Prospector New Debtors' Reservation of Rights.* Subject to the Sale-Leaseback Parties' rights granted under this Interim Order, the entry of this Interim Order and the grant of adequate protection to the Sale-Leaseback Parties pursuant to the terms hereof shall be without prejudice to the rights of the Prospector New Debtors to, following the occurrence of the Termination Date, seek authority to use Cash Collateral without the consent of the Sale-Leaseback Parties, and the Sale-Leaseback reserve all of their respective rights with respect to

contesting any such motion or request by the Prospector New Debtors or any other person; provided that the Prospector New Debtors may not utilize Cash Collateral to seek such authority.

17. *Payments Under the Lease.* All payments made under the Sale-Leaseback Agreements and the other Operative Documents from and after the Petition Date are pursuant to and deemed to be made in accordance with this Interim Order.

18. *Binding Effect.* The provisions of this Interim Order shall be binding upon and inure to the benefit of the Prospector New Debtors, the Security Agent and the other Sale-Leaseback Parties and their respective successors and assigns, including without limitation, any trustee hereafter appointed for the estate of any of the Prospector New Debtors, whether in these Chapter 11 Cases or in the event of the conversion of any of the Chapter 11 Cases to a liquidation under chapter 7 of the Bankruptcy Code. Such binding effect is an integral part of this Interim Order. To the extent any provision of this Interim Order conflicts with any provision of the Motion, the provisions of this Interim Order shall control.

19. *Survival.* The provisions of this Interim Order and any actions taken pursuant hereto shall survive the entry of any order: (a) confirming any chapter 11 plan in any of the Chapter 11 Cases; (b) converting any of the Chapter 11 Cases to a chapter 7 case; or (c) dismissing any of the Chapter 11 Cases, and the terms and provisions of this Interim Order as well as the Adequate Protection Liens and Adequate Protection Claims shall continue in full force and effect notwithstanding the entry of any such order. Such claims and liens shall maintain their priority as provided by this Interim Order.

20. *Effect of Dismissal or Conversion.* If the Chapter 11 Cases are dismissed or converted, then such dismissal or conversion of the Chapter 11 Cases shall not affect the rights of the Sale-Leaseback Parties under this Interim Order, and all of the respective rights and

remedies thereunder of the Sale-Leaseback Parties shall remain in full force and effect as if the Chapter 11 Cases had not been dismissed or converted. If an order dismissing any of the Chapter 11 Cases is at any time entered, such order shall provide (in accordance with sections 105 and 349 of the Bankruptcy Code) that: (a) the Adequate Protection Liens and Adequate Protection Claims granted to and conferred upon the Sale-Leaseback Parties and the protections afforded to the Sale-Leaseback Parties pursuant to this Interim Order shall continue in full force and effect and shall maintain their priorities as provided in this Interim Order (and that such Adequate Protection Liens and Adequate Protection Claims shall, notwithstanding such dismissal, remain binding on all interested parties); and (b) to the greatest extent permitted by applicable law, this Court shall retain jurisdiction, notwithstanding such dismissal, for the purpose of enforcing the Adequate Protection Liens and Adequate Protection Claims referred to herein.

21. *Joint and Several Liability.* Nothing in this Interim Order shall be construed to constitute a substantive consolidation of any of the Prospector New Debtors' estates, it being understood, however, that the Prospector New Debtors shall be jointly and severally liable for all obligations hereunder, including without limitation, the Adequate Protection Claims.

22. *Limitations on Liability.* Subject to the entry of the Final Order, by reason of permitting the use of Cash Collateral or exercising any rights or remedies as and when permitted pursuant to this Interim Order (or any Final Order) or the Operative Documents, as applicable, none of the Security Agent or the other Sale-Leaseback Parties, or any successor of any of the foregoing, shall be deemed to be in control of the operations of the Prospector New Debtors or any affiliate (as defined in section 101(2) of the Bankruptcy Code) of the Prospector New Debtors, or to be acting as a "responsible person" or "owner or operator" with respect to

the operation or management of the Prospector New Debtors or any affiliate of the Prospector New Debtors (as such terms, or any similar terms, are used in the United States Comprehensive Environmental Response, Compensation and Liability Act, 29 U.S.C. §§ 9601 *et seq.*, as amended, or any similar federal or state statute). Nothing in this Interim Order or the Operative Documents shall in any way be construed or interpreted to impose or allow the imposition upon the Security Agent or the other Sale-Leaseback Parties, or any successor of any of the foregoing, of any liability for any claims arising from the prepetition or postpetition activities of the Prospector New Debtors or any affiliate of the Prospector New Debtors.

23. *Bankruptcy Rules 4001, 6003 and 6004.* The requirements of Bankruptcy Rule 4001(a)(3), to the extent applicable, are waived. The requirements of Bankruptcy Rule 6003(b) have been satisfied. The requirements of Bankruptcy Rule 6004(a), to the extent applicable, are waived. Notwithstanding any applicability of Bankruptcy Rule 6004(h), the terms and conditions of this Interim Order shall be immediately effective and enforceable upon its entry.

24. *Authorization to Implement Relief.* The Prospector New Debtors are authorized and empowered to take all actions necessary to implement the relief granted in this Interim Order.

25. *Jurisdiction.* This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, or enforcement of this Interim Order.

26. *Findings of Fact and Conclusions of Law.* This Interim Order constitutes, where applicable, this Court's findings of fact and conclusions of law pursuant to Bankruptcy

Rule 7052. To the extent any finding of fact constitutes a conclusion of law, it is adopted as such.
To the extent any conclusion of law constitutes a finding of fact, it is adopted as such.

27. *Final Hearing.* The Final Hearing shall be held on **August 23, 2017 at 10:00 a.m. (Eastern Time)** and any objections or responses to the Motion shall be filed and served on the Prospector New Debtors and the Notice Parties so as to be actually received on or before **4:00 p.m. (Eastern Time) on August 16, 2017.**

Dated: July 28, 2017
Wilmington, Delaware



THE HONORABLE CHRISTOPHER S. SONTCHI
UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

Budget

Prospector Offshore Drilling S.a.r.l., Case No. 17-11572 (CSS)

Interim Order Budget

Weekly Cash Flow Forecast
(\$000s)

Total Week	Fcst 1	Fcst 2	Fcst 3	Fcst 4	Fcst 5	Fcst 6	Fcst 7	Fcst 8	Fcst 9	Fcst 10	Fcst 11	Fcst 12	Fcst 13	13 Weeks
Week Ending	07/28/17	08/04/17	08/11/17	08/18/17	08/25/17	09/01/17	09/08/17	09/15/17	09/22/17	09/29/17	10/06/17	10/13/17	10/20/17	
Encumbered Cash Flow														
Customer Receipts to ICBC	-	9,693	-	-	-	-	10,017	-	-	-	10,017	-	-	29,727
Customer Reimbursables to ICBC	-	290	-	-	-	-	299	-	-	-	299	-	-	888
Opex Excess from BOA to ICBC	1,168	-	-	-	846	-	-	-	-	227	-	-	-	2,241
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Encumbered Receipts	1,168	9,983	-	-	846	-	10,316	-	-	227	10,316	-	-	32,855
Encumbered Cash Disbursements														
Rig Rental to Lessors	3,503	-	-	-	3,503	-	-	-	-	3,390	-	-	-	10,396
Opex Allocation to BOA	4,385	-	-	-	4,700	-	-	-	-	4,600	-	-	-	13,685
Customer Reimbursables to BOA	517	-	-	-	290	-	-	-	-	299	-	-	-	1,106
Quarterly Cash Sweep to Lessors	8,739	-	-	-	-	-	-	-	-	-	-	-	-	8,739
Total Encumbered Disbursements	17,144	-	-	-	8,493	-	-	-	-	8,289	-	-	-	33,926
Net Encumbered Cash Flow	(15,976)	9,983	-	-	(7,647)	-	10,316	-	-	(8,062)	10,316	-	-	(1,071)
Cash Balance														
Debtor Beginning Cash Balance - ICBC	49,738	33,761	43,744	43,744	43,744	36,097	36,097	46,413	46,413	46,413	38,351	48,667	48,667	49,738
Encumbered Cash Flow	(15,976)	9,983	-	-	(7,647)	-	10,316	-	-	(8,062)	10,316	-	-	(1,071)
Float	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debtor Ending Cash Balance - ICBC	33,761	43,744	43,744	43,744	36,097	36,097	46,413	46,413	46,413	38,351	48,667	48,667	48,667	48,667

Initial Interim Budget does not reflect carve out for US Trustee Fees or Chapter 11 Professional Fees