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**Attorneys for Debtor, Mountain Divide, LLC**

**UNITED STATES BANKRUPTCY COURT**  
**DISTRICT OF MONTANA**  
**BILLINGS DIVISION**

**In Re:** )  
 )  
**MOUNTAIN DIVIDE, LLC,** ) **Case No. 16-61015-11**  
 )  
**Debtor.** )  
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**DEBTOR’S SECOND MOTION TO EXTEND USE OF CASH COLLATERAL**

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Mountain Divide, LLC (“Mountain Divide” or “Debtor”) as Debtor and debtor-in-possession, and pursuant to Sections 105, 361, 362, 363 and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”), and Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), moves this Court (this “Motion”) to enter a final order (the “Final Order”), substantially in the form attached to this Motion as Exhibit A, authorizing the Debtor to continue to use “cash collateral,” as such term is defined in Section 363 of the Bankruptcy Code, including, without limitation, cash and receivables

(collectively, “Cash Collateral”) for an additional period from April 2, 2017 until May 6, 2017. The Debtor does not seek authority in this Motion to use as Cash Collateral any net sale proceeds. In support of this Motion, the Debtor states as follows:

### **BACKGROUND**

1. The statutory predicates for the relief requested are 11 U.S.C. §§ 105, 361, 362, 363 and 507 in addition to Rules 2002, 4001 and 9014 of the Federal Rules of Bankruptcy Procedure.

2. On October 14, 2016, the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code with the Clerk of this Court (“Petition Date”). The Debtor continues to operate its business as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Debtor’s business operations are complex, and requires staff that possesses sophisticated knowledge of oil and gas accounting principles, real estate law, and general knowledge specific to oil and gas operations.

3. On October 19, 2016, the Debtor filed its Motion for interim and final orders pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 507 and 364 (I) approving postpetition secured financing, (II) granting liens and super priority claims, (III) authorizing use of cash collateral, (IV) granting adequate protection, (V) modifying the automatic stay, and (VI) scheduling final hearing pursuant to Bankruptcy Rule 4001(b) (the “DIP and Cash Collateral Motion”) [Doc. #22].

4. On November 3, 2016 and November 9, 2016, the Court granted the Debtor’s DIP and Cash Collateral Motion on an interim and final basis authorizing, among other things, the Debtor to obtain postpetition, secured financing from Wells Fargo Energy Capital, Inc. (“Wells Fargo”) and to use Cash Collateral [Doc. #95 and Doc. #114] (the “Financing Orders”).

5. Pursuant to the Court’s Financing Orders, the Debtor was entitled to use Cash Collateral until February 4, 2017.

6. Prior to the Petition Date, the Debtor reduced its general and administrative expenses to the greatest extent possible for continued operation and survival. It closed its leased Billings, Montana office and maintains some of its financial operations from the office of its Controller in Billings. It reduced its staff, including its land department, engineering and accounting staff. The company also (1) enacted salary reductions for remaining employees, (2) reduced its contribution to employee health insurance coverage, and (3) renegotiated its water gathering and disposal contracts, the largest variable costs incurred in field operations. During the pendency of this bankruptcy case, the Debtor has continued to reduce its general and administrative expenses.

7. As part of the DIP and Cash Collateral Motion and the Financing Orders, the Debtor entered into a debtor-in-possession loan and security agreement and promissory note (the “DIP Loan Documents”) with Wells Fargo Energy Capital, Inc. (“Wells Fargo”) and obtained a loan that was critical to the preservation of value (the “DIP Loan”). Pursuant to the DIP Loan Documents, the DIP Loan was to be indefeasibly repaid to Wells Fargo in full upon closing of the sale of all or substantially all of Debtor’s assets.

8. The DIP Loan enabled the Debtor to successfully complete its well workover program, thereby increasing oil production, despite unseasonably cold temperatures and increased snowpack in the region.

9. On November 4, 2016, the Debtor filed its Motion for (I) Bidding Procedures Order (A) approving sale and bidding procedures; (B) approving the form and manner of notice; (C) scheduling auction and sale hearing; and (D) authorizing the assumption and assignment of executory contracts and unexpired leases; and (II) sale order authorizing sale of substantially all estate assets to the highest and best bidder (the “Sale Motion”) [Doc #100]; and, on November 23,

2016, the Court entered a Bidding Procedures Order approving the Sale Motion, Sale and Bidding Procedures, and a Sale Notice (the “Bidding Procedures Order”) [Doc #137].

10. After a period of due diligence and soliciting bids (See Affidavit of Patrick M. Montalban [Doc. #195]), two bidders (Murex Petroleum Corporation (“Murex”) and Future Acquisition Company, LLC (“FAC”) and its subsequent assignee Future Acquisition North Dakota (“FAND”) were identified as Qualified Bidders for purposes of participating in the auction.

11. An auction of the Debtor’s assets subject to sale (the “Purchased Assets” as defined in the Sale Motion) was held on January 17, 2017 in Billings, Montana. Murex and FAC participated in the auction. After 15 rounds of bidding, FAC submitted the highest and best bid of \$4,000,000 for the Purchased Assets.

12. On January 20, 2017, the Court issued an Order (the “Sale Order”) approving the Purchase and Sale Agreement (“PSA”) entered into between Debtor and FAC; the sale of the Purchased Assets to FAC free and clear of all Liens and other interests (except for Surviving Liens and Assumed Liabilities) with all such Liens and interests against the Purchased Assets attaching to the Net Proceeds (as such terms are defined in and contemplated by the Sale Order) of the sale attributable to the property against or in which holders assert such Liens and other related interests in each case with the same validity and in the same order, priority, and effect that such Liens and other related interests had immediately prior to the sale; and the assumption and assignment of certain executory contracts and unexpired leases (the “Sale Transaction”) [Doc. # 199].

13. In order to continue administration to close the Sale Transaction, the Debtor filed its first motion to continue use of cash collateral on February 3, 2017 [Doc. #207]. The Court entered an interim order allowing Debtor’s continued use of cash collateral on February 8, 2017

[Doc. # 228], and a final order on February 23, 2017, granting Debtor's motion and allowing Debtor's continued use of cash collateral through April 1, 2017. [Doc. #254]

14. Pursuant to the PSA, the Effective Time (as defined in the PSA), or the time when FAND became entitled to production of hydrocarbons from or attributable to mineral leases and the wells, was the first day of the month in which closing occurred, in this case, February 1, 2017. The Sale Transaction was completed and closed on February 16, 2017. The DIP Loan was repaid in full on February 16, 2017, the Cure Costs for prepetition royalty payments, prepetition working interest owner payments, and surface use agreement payments as provided for in the PSA in the amount of approximately \$530,000 were paid on February 17, 2017 [Doc. #246]; and, the Net Proceeds of Sale have been deposited into a segregated debtor-in-possession account. The Debtor is not seeking authority to use the Net Proceeds of Sale as Cash Collateral for any purpose.

15. Pursuant to the PSA, FAND must pay Debtor the net revenue for oil inventory in place at the Effective Time the Sale Transaction was closed. The Debtor initially projected those post-closing payments to be made in the third week of March, but now anticipates receiving this revenue during the second week of April.

16. The Debtor forecasts that based upon the inventory proceeds payment from FAND and with continued use of Cash Collateral, it can pay its anticipated, reduced operational expenses during this extended period of administration of this Chapter 11 case and will have sufficient revenues to achieve its objectives in this bankruptcy case which include conducting a mediation<sup>1</sup> and preparing a plan.

17. Continued use of Cash Collateral for an additional thirty (30) days is necessary for the Debtor to continue to utilize its employees in order to conduct the mediation, propose a plan,

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<sup>1</sup> The mediation was initially scheduled for March 14 and 15 in Billings, however, due to inclement weather and the mediator's inability to travel to Billings those days, the mediation has been rescheduled for April 6 and 7.

and to provide ongoing assistance to FAND with regulatory matters and related efforts to be appropriately bonded in the State of North Dakota. The continuation of employment of the Debtor's staff is indispensable for the Debtor to continue to administer the bankruptcy estate, including the realization of value from other assets that have been excluded from the Sale Transaction, and providing necessary information and assistance in the mediation and plan process. The Debtor requires continued use of Cash Collateral in order to address any title issues that may be discovered post-closing, and to work with FAND on necessary post-closing adjustments. . By way of limited example, the Debtor's staff is necessary to provide ongoing support to Debtor's bankruptcy counsel in addressing matters relating to the administration of the estate including preparing for the mediation and preparing a plan.

18. The Debtor has worked to reduce its overhead and operational expenses to the lowest extent possible to maximize return to the bankruptcy estate. In a good faith gesture to continue to maximize the return to the bankruptcy estate, the Debtor's staff has proposed to continue a ten percent salary reduction for all employees through the end of this extended period, until May 6, and the Debtor's manager has proposed to continue his seventy-five percent salary reduction through the end of this extended period, until May 6, 2017.

19. The Debtor has prepared a second updated budget (the "Second Supplemental Budget") to supplement its original Budget [Doc. #22-3]; and its first Supplemental Budget [Doc. #254-1]. The Second Supplemental Budget is attached hereto as Exhibit B. The Second Supplemental Budget reflects projected revenues and expenses for the period from Week 23 to Week 27, or April 2, 2017 to May 6, 2017.

20. In order to accomplish its goals in this case and to continue to administer the bankruptcy estate, and address other matters in this bankruptcy case, the Debtor must be authorized

to continue to use Cash Collateral. Without continued access to Cash Collateral, the Debtor, the bankruptcy estate and creditors will be irreparably harmed as the Debtor will not be able to provide necessary support for the mediation and plan preparation process, or continue to assist FAND to ensure smooth transition of operations. The Debtor will lose its employees and will have limited or no ability to assist Debtor's bankruptcy counsel in addressing matters in connection with this bankruptcy case.

**RELIEF REQUESTED FOR CONTINUED USE OF CASH COLLATERAL**

21. The Debtor seeks authority to extend its use of Cash Collateral for an additional period to May 6, 2017. As set forth above, the Court's February 23, 2017 Order only allows Debtor to continue to use its Cash Collateral until April 2, 2017. The Debtor requires use of Cash Collateral for an additional thirty (30) day period in order to continue to provide ongoing support to Debtor's bankruptcy counsel and to achieve its goals in this Case.

22. The Debtor reaffirms its statement in its initial DIP and Cash Collateral Motion that Cash Collateral shall not, directly or indirectly, be used for any payments, expenses or disbursements of the Debtor except for the payment of: (i) those ordinary course payments, expenses and/or disbursements for operating expenses of the Debtor which are necessary to preserve the value of the company's assets and to implement a sale process, all in a manner that is consistent with the Supplemental Budget, (ii) statutory fees of the Clerk of the Bankruptcy Court and the United States Trustee pursuant to 28 U.S.C. § 1930(a), and (iii) unpaid compensation and reimbursement of reasonable fees and expenses incurred on or after the Petition Date and allowed and approved by the Court to the extent such fees and expenses are incurred in connection with the activities set forth above, and subject to the limitations and cap on professional fees set forth in Court's Financing Orders. The Debtor further confirms that it does not seek to, and will not use

as Cash Collateral any of the Net Proceeds that it expects to receive from the sale of the Purchased Assets pursuant to the Sale Order.

23. The Debtor respectfully requests that this Court authorize and approve the Debtor's continued use of Cash Collateral for an additional period of thirty (30) days, until May 6, 2017 pursuant to the Second Supplemental Budget, and grant adequate protection to Wells Fargo and other parties that have or assert an interest in Cash Collateral subject to the terms and conditions set forth in the Interim Order and Final Order.

### **BASIS FOR RELIEF**

#### **A. Use of Cash Collateral and Adequate Protection**

24. Section 363(c)(2) of the Bankruptcy Code governs the Court's approval of the use of cash collateral and provides that a debtor "may not use, sell, or lease cash collateral...unless (A) each entity that has an interest in such cash collateral consents; or (B) the court, after notice and a hearing, authorizes such use, sale, or lease in accordance with the provisions of this section." 11 U.S.C. § 363(c)(2). Section 363(e) of the Bankruptcy Code provides that upon request of an entity that has an interest in property to be used by a debtor, the court shall prohibit or condition such use as is necessary to provide adequate protection of such interest. 11 U.S.C. § 363(e).

25. A debtor has the burden to establish that the holder of a lien to be subordinated, or whose cash collateral will be used, has adequate protection. 11 U.S.C. § 363(p)(1). Adequate protection must be determined on a case-by-case basis, permitting a debtor maximum flexibility in structuring its adequate protection proposal. *See In re Martin*, 761 F.2d 472, 474 (8th Cir. 1985); *In re George Ruggerie Chrysler-Plymouth, Inc.*, 727 F.2d 1017, 1019 (11th Cir. 1984). Nonetheless, "[a] debtor, attempting to reorganize a business under chapter 11, clearly has a



compelling need to use ‘cash collateral’ in its effort to rebuild.” *George Ruggie*, 727 F.2d at 1019.

26. The absolute limits and requirements of adequate protection are not defined under the Bankruptcy Code. However, adequate protection may, in addition to or instead of the traditional notion of an equity cushion, include such protection as an offer to provide an additional or replacement lien or other relief to the secured creditor which provides them with the “indubitable equivalent” for their claim or a measure thereof. *See In re Mellor*, 734 F.2d 1396, 1400 (9<sup>th</sup> Cir. 1984). While the adequate protection offered by the Debtor is discussed in detail below, the oil and gas business at issue is different from the “standard” type of Montana Chapter 11 bankruptcy in that it is based upon the extraction, marketing and sale of a commodity whose price can change frequently, as has occurred in the recent past. The closing of of the Sale Transaction has been beneficial to the estate and its creditors, as it has allowed for the realization of value through the receipt of Net Sale Proceeds, and will generate post-closing revenue to the estate through FAND’s payment for oil inventory. In other words, the preservation of value generally constitutes adequate protection sufficient to justify the use of cash collateral. *See, e.g., Norton Bankruptcy Law & Practice* 2d § 38:7, p. 38-17; *In re 495 Central Park Ave. Corp.*, 136 B.R. 626, 631 (Bankr. S.D.N.Y. 1992)(funds from lender given priming lien used to preserve collateral is transferred into value and such value will serve as adequate protection).

27. The Debtor must be able to continue to use its Cash Collateral to continue to provide support for the administration of this case, even on a reduced scale. Specifically, the Debtor requires the continued use of cash collateral to continue to utilize its employees to provide support for the mediation and plan preparation, to administer post-closing adjustments which will benefit the bankruptcy estate, , and to address issues in this bankruptcy case including communications

with creditors and efforts relating to the administration of the Case. These expenses are reasonable and necessary business expenses which must be paid in order to properly administer this case and attempt to reach a resolution. The failure to obtain authorization for the continued use of Cash Collateral will be fatal to the Debtor's ability to continue to provide support in this case and materially hinder the Debtor's ability to participate in the upcoming mediation with the Debtor's creditors.

28. The Debtor's continued use of Cash Collateral, for the period from April 2, 2017 through May 6, 2017, shall be subject to and governed by the terms of the Second Supplemental Budget and the Debtor acknowledges that it has no consent or authority to continue to use Cash Collateral other than in accordance with the original Budget, first Supplemental Budget, and in accordance with the Second Supplemental Budget. Notwithstanding the Second Supplemental Budget, so long as no Termination Event has occurred (i.e. the occurrence of an Event of Maturity or an Event of Default), the Debtor shall be authorized to continue to use Cash Collateral, with respect to any line items in the Second Supplemental Budget, in an amount greater than that shown for such line items on the Second Supplemental Budget, as measured on a four-week rolling basis; provided, however, that in no event shall the collective variances to the Second Supplemental Budget cause the Debtor to use Cash Collateral in an amount greater than the total of the Second Supplemental Budget for such applicable period. If the aggregate amount of Cash Collateral actually used by the Debtor, measured on a four-week rolling basis, is less than the aggregate amount of Cash Collateral available for use by the Debtor in the Second Supplemental Budget during such period, then the Debtor may carry over any such unused amount to future periods in the Second Supplemental Budget to the extent necessary and allocate such unused amounts to any line item in the Second Supplemental Budget.

29. The Debtor's right to continue to use Cash Collateral shall terminate automatically upon the happening of any of the following events or conditions (which events are in addition to those specified in the original DIP and Cash Collateral Motion) (each an "Event of Maturity"):

- a. the effective date of any plan filed in the Bankruptcy Case that is confirmed by order of the Bankruptcy Court;
- b. the Case is dismissed or converted to a case under Chapter 7 of the Bankruptcy Code or a trustee, examiner or other responsible officer under Chapter 11 of the Bankruptcy Code is appointed in the Case; or
- c. the expiration of the Second Supplemental Budget on May 6, 2017.

In addition, the happening of any of the events or conditions constituting an "Event of Default" as defined in the DIP Loan Documents submitted with the Debtor's initial DIP and Cash Collateral Motion [Doc. #22-2] and in the Financing Orders shall remain in full force and effect (notwithstanding any repayment and satisfaction of the DIP Loan) and thereby allow Wells Fargo to terminate the Debtor's authority to use Cash Collateral upon the occurrence of one or more of the specified events (the occurrence of an event that constitutes an Event of Default or an Event of Maturity is also referred to as a "Termination Event").

30. As adequate protection for the continued use of Cash Collateral, the Debtor believes that post-closing adjustments for inventory on hand at closing, refunds of pre-payments or deposits made for utility service, and further reduction in general and administrative expenses, including payroll, provides a cash cushion that in the ordinary course of business is available to cover the current month's Cash Collateral used by the Debtor. The ability to administer these post-closing adjustments and payments is possible if the Debtor is authorized to continue to use Cash Collateral so it may continue to employ its staff.

31. The Debtor proposes to continue Wells Fargo's and the Lien Claimants' adequate protection by continuing replacement liens and security interests to the extent Cash Collateral

subject to their liens or interests is used by the Debtor pursuant to Sections 361, 363 and 552 of the Bankruptcy Code, with such continuing replacement liens being of the same validity, extent and priority as their respective prepetition liens and interests on property and income of the Debtor that constitutes Cash Collateral (the “Continued Adequate Protection Replacement Liens”) and subject to any claims or defenses the Debtor or its estate may possess with respect thereto. The Continued Adequate Protection Replacement liens will be deemed to be valid, enforceable, granted and perfected automatically as of the Petition Date.

32. To the extent the use of Cash Collateral causes or result in any diminution in value of such parties’ interest in collateral such that the adequate protection provided proves to be insufficient, Wells Fargo and the Lien Claimants shall be granted continued superpriority administrative expense claims under Section 507(b) of the Bankruptcy Code (the “Continued Adequate Protection Priority Claims”) with continued 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, Section 105, 326, 328, 330, 331, 503(a), 503(b), 506(c), 507(a), 507(b), and 546(c), 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.

33. The Continued Adequate Protection Replacement Liens shall not attach to or encumber any of the proceeds of the sale of the Purchased Assets. The Continued Adequate Protection Replacement Liens and the Continued Adequate Protection Priority Claims will be subject to and subordinate to any and all claims and liens for the previously provided debtor-in-possession financing by Wells Fargo in connection with the DIP Loan, as previously approved by the Court. In addition, the Continued Adequate Protection Replacement Liens and the Continued

Adequate Protection Priority Claims will be subject to and subordinate to the Carve Out Expenses which have been fully reserved and escrowed prior to the date hereof and which Carve Out Expenses remain subject to the Professional Fee Carve Out Cap (as more fully defined and set forth in the Final Order attached as Exhibit A).

34. The Debtor's continued use of Cash Collateral itself continues to protect all creditors' interests, as it allows the Debtor to continue to employ its staff – which is absolutely necessary to maximize value for the benefit of creditors by administering necessary post-closing adjustments and to participate in the upcoming mediation with the Debtor's creditors. The Debtor will continue to provide the reporting and inspection rights Wells Fargo is entitled to under its Loan Documents and other agreements. Finally, the Debtor submits that all creditors will enjoy the benefit and protection afforded by the capacity to review, on an ongoing basis, the Debtor's financial condition through the Debtor's Chapter 11 monthly operating reports which will be submitted by the Debtor to the Court.

35. In the event that this Court does not authorize the Debtor's continued use of Cash Collateral, the Debtor believes that it will be immensely difficult, if not impossible, to complete administration of this case and/or to prepare a plan, and it will be unable to continue to employ its staff to process post-closing matters, and will be unable to address issues in these bankruptcy proceedings

36. The Debtor believes that the continued adequate protection, as proposed, is fair and reasonable and sufficient to satisfy any diminution in value of the prepetition collateral.

### **REQUEST FOR FINAL ORDER**

37. The Debtor requests that the relief granted in this Motion shall be effective as of April 1, 2017, and requests that, barring any objections to this Motion, the Court grant the relief requested in the Final Order after the objection deadline has passed.

### **NOTICE OF MOTION**

38. Notice of this Motion has been provided to (1) the Office of the United States Trustee for the District of Montana; (2) the Debtor's major secured creditor, Wells Fargo Capital Energy, Inc.; (3) entities that have filed pre-petition oil and gas liens against or otherwise asserted an interest in the Debtor's income producing properties: Canary LLC, Canrig Drilling Technology Ltd., Coil Tubing Solutions, LLC, Irongate Rental Services, LLC, K&D Enterprises, Inc. d/b/a Pressure Pumping Services, MBI Energy Logistics, LLC, MBI Energy Rentals, Inc., MBI Energy Services, M-I, LLC, d/b/a MI-SWACO, Nabors Drilling USA, LP, Northern Energy Services, LLC, Northern States Completions, Precision Completion and Production Services, Ltd., Weatherford U.S. L.P., Yankee Fishing & Rentals, High Plains, Inc., American Pipe and Supply Company, Sanjel USA Inc., Schlumberger Technology Corporation, and Precision Directional Services, Inc.; (4) the Debtor's twenty (20) largest unsecured creditors; (5) the Montana Department of Revenue; (6) the North Dakota Tax Commission; and (7) the Internal Revenue Service.

39. The Debtor previously filed its first Motion requesting use of Cash Collateral on October 19, 2016, which was approved by the Court on November 3, 2016 on an interim basis and on November 9, 2016 on a final basis. The Debtor filed its second Motion requesting continued use of Cash Collateral on February 3, 2017, which was approved by the Court on February 8, 2017 on an interim basis, and on February 23, 2017 on a final basis.

**WHEREFORE**, the Debtor respectfully requests that the Court enter the Final Order substantially similar to the order attached hereto, and grant such further or different relief as this Court may deem just and proper without hearing if there are no objections, and in the event objections are filed to schedule this matter for hearing at the Court's regular hearing date on April 13, 2017 in Billings, Montana.

**DATED** this 29<sup>th</sup> day of March, 2017.

**GUTHALS, HUNNES & REUSS P.C.**  
**P.O. Box 1977**  
**Billings, MT 59103**

By: /s/ Jeffery A. Hunnes  
**Attorneys for Debtor**

**NOTICE OF OPPORTUNITY TO RESPOND**

**AND REQUEST A HEARING**

If you object to this MOTION you must file a written responsive pleading and request a hearing within fourteen (14) days of the date of filing. The responding party shall schedule the hearing on the motion at least twenty-one (21) days after the date of the response and request for hearing and shall include in the caption of the responsive pleading in bold and conspicuous print the date, time and location of the hearing by inserting in the caption the following:

**NOTICE OF HEARING**

Date: \_\_\_\_\_  
Time: \_\_\_\_\_  
Location: \_\_\_\_\_  
\_\_\_\_\_

If no objections are timely filed, the Court may grant the relief requested as a failure to respond by any entity shall be deemed an admission that the relief requested should be granted.

DATED this 29<sup>th</sup> of March, 2017.

**GUTHALS, HUNNES & REUSS, P.C.**  
**P.O. Box 1977**  
**Billings, MT 59103**

          /s/ Jeffery A. Hunnes            
Attorneys for Mountain Divide, LLC



# EXHIBIT B

Cash Collateral Budget  
(Extension period from Week 23 to Week 27)

	04/02 to 04/8	04/09 to 04/15	04/16 to 04/22	04/23 to 04/29	04/30 to 05/06
	Week 23	Week 24	Week 25	Week 26	Week 27
Total Production					
Oil and gas volumes (boed total)		2,044			
Oil and gas volumes (boed net)					
Strip price/boe					
Realized price/boe		45			
Oil and gas revenues (total)		91,182			
Taxes and other deductions (total)		(9,118)			
Revenue distributions					
Royalty		(15,815)			
Working Interest		(16,706)			
Net revenue	-	49,544	-	-	-
Operating costs (recurring, 8/8ths)					
Fuel and power	-	-	-	-	-
Water costs	-	-	-	-	-
Field personnel	-	-	-	-	-
Insurance	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-
Materials and supplies	-	-	-	-	-
Field vehicle expense	-	-	-	-	-
Snow removal	-	-	-	-	-
Workovers (non recurring, 8/8ths)	-	-	-	-	-
Total operating costs	-	-	-	-	-
Income from operations	-	49,544	-	-	-
General and administrative costs					
Payroll	11,020				11,020
Insurance					
US Trustee fees and expenses					4,875
Mediation expense		-	1,500		
Case Professional Expenses					35,000
Other		5,000			2,500
Total General and administrative costs	11,020	5,000	1,500	-	53,395
Net cash flow from operations	(11,020)	44,544	(1,500)	-	(53,395)
Beginning cash balance	183,657	172,637	224,181	222,681	222,681
DIP Funding					
Cash receipts working interest owners, netting revenue		7,000			
Net cash flow from operations	(11,020)	44,544	(1,500)	-	(53,395)
Ending cash balance	\$ 172,637	\$ 224,181	\$ 222,681	\$ 222,681	\$ 169,286