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**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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In re	:	Chapter 11
	:	
PACIFIC DRILLING S.A., <i>et al.</i> , <sup>1</sup>	:	Case No. ____-____ (___)
	:	
Debtors.	:	Joint Administration Pending
_____	X	

**DEBTORS' MOTION FOR INTERIM AND FINAL ORDERS (A) AUTHORIZING THE  
USE OF CASH COLLATERAL, (B) GRANTING ADEQUATE PROTECTION,  
(C) MODIFYING THE AUTOMATIC STAY, (D) SCHEDULING A FINAL HEARING  
AND (E) GRANTING RELATED RELIEF**

Pacific Drilling S.A. ("PDSA"), on behalf of itself and certain of its affiliates as debtors and debtors-in-possession (collectively, the "Debtors"), hereby submits this motion (this "Motion") for entry of an interim order, substantially in the form attached hereto as Exhibit A (the "Interim Order"), and a final order, substantially in the form attached hereto as Exhibit B

<sup>1</sup> The Debtors in these chapter 11 cases and, if applicable, the last four digits of their U.S. taxpayer identification numbers are: Pacific Drilling S.A., Pacific Drilling (Gibraltar) Limited, Pacific Drillship (Gibraltar) Limited, Pacific Drilling, Inc. (1524), Pacific Drilling Finance S.à r.l., Pacific Drillship SARL, Pacific Drilling Limited, Pacific Sharav S.à r.l. (2431), Pacific Drilling VII Limited, Pacific Drilling V Limited, Pacific Drilling VIII Limited, Pacific Scirocco Ltd. (0073), Pacific Bora Ltd. (9815), Pacific Mistral Ltd., Pacific Santa Ana (Gibraltar) Limited, Pacific Drilling Operations Limited (9103), Pacific Drilling Operations, Inc. (4446), Pacific Santa Ana S.à r.l. (6417), Pacific Drilling, LLC (7655), Pacific Drilling Services, Inc. (5302), Pacific Drillship Nigeria Limited (0281) and Pacific Sharav Korlátolt Felelősségű Társaság.

(the “Final Order”, and together with the Interim Order, the “Proposed Orders”), (a) authorizing the Debtors’ proposed use of Cash Collateral (as defined below), (b) granting adequate protection to the Prepetition Secured Parties (as defined below) with respect to the use of, and imposition of the automatic stay with respect to, Prepetition Collateral (as defined below), including Cash Collateral, and any diminution in the value thereof, but only to the extent that the Prepetition Secured Parties have an interest therein, (c) modifying the automatic stay and (d) scheduling a final hearing (the “Final Hearing”) to consider the relief requested in this Motion on a final basis as set forth in the Final Order. In support of this Motion, the Debtors respectfully state as follows:

### **Background**

1. PDSA, an offshore drilling company formed in 2011 under the laws of Luxembourg, and its subsidiaries provide global ultra-deepwater drilling services to the oil and natural gas industry through the use of high-specification drillships.
2. On November 12, 2017 (the “Petition Date”), each of the Debtors filed with the Court a voluntary petition for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. § 101 *et seq.* (the “Bankruptcy Code”). Each Debtor continues to operate its business and manage its properties as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. Concurrent with the filing of this Motion, the Debtors filed a motion with the Court pursuant to rule 1015 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) seeking joint administration of the Debtors’ cases. No trustee, examiner or committee of creditors or equity security holders has been appointed in these chapter 11 cases.
3. Additional factual background relating to the Debtors’ business and the commencement of these chapter 11 cases is set forth in detail in the *Declaration of Paul T. Reese Pursuant to Rule 1007-2 of the Local Bankruptcy Rules for the Southern District of New York in*

*Support of Chapter 11 Petitions and First Day Motions and Applications* (the “Reese Declaration”) and the *Declaration of James A. Mesterharm in Support of First Day Motions and Applications*, each filed contemporaneously herewith and incorporated herein by reference.<sup>2</sup>

**Facts Specific to the Relief Requested**

**I. Prepetition Indebtedness**

4. As further detailed below and in the Reese Declaration, the Debtors are party to certain loans, indentures and long-term credit facilities denominated in United States Dollars and governed by New York law (the “Prepetition Debt Instruments”) among a number of different lenders and certain agents and trustees. As of the Petition Date, the principal amount of debt outstanding under the Prepetition Debt Instruments is approximately \$3.0 billion (the “Prepetition Debt”). The following description of the Debtors’ Prepetition Debt is for informational purposes only and is qualified in its entirety by reference to the Prepetition Debt Instruments. Nothing contained herein shall be construed as an admission by the Debtors as to the value of any collateral securing (or allegedly securing) any Prepetition Debt.

**A. Ship Group A Debt**

5. The Prepetition Debt with claims against Ship Group A was incurred in June, 2013. It consists of a \$500 million revolving credit facility due June 3, 2018 (the “Revolving Credit Facility”), \$750 million in principal amount of 5.375% senior secured notes due June 1, 2020 (the “2020 Notes”), and a \$750 million senior secured term loan due June 3, 2018 (the “Term Loan B Credit Facility”).

6. The Revolving Credit Facility is governed by that certain Credit Agreement, dated as of June 3, 2013 (as amended, restated, supplemented, or otherwise

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<sup>2</sup> All capitalized terms used and not defined herein shall have the meanings ascribed to them in the Reese Declaration.

modified, the “Revolving Credit Agreement,” and collectively with all agreements, documents, notes, mortgages, security agreements, pledges, guarantees, subordination agreements, deeds, instruments, indemnities, indemnity letters, working fee letters, assignments, charges, amendments, and any other agreements delivered pursuant thereto or in connection therewith, including the “Credit Documents” as such term is defined in the Revolving Credit Agreement, the “RCF Documents”), by and among PDSA, as borrower, the various guarantor parties thereto, as guarantors (the “RCF Guarantors,” and collectively with PDSA, the “RCF Obligors”), the lead arranger and bookrunner parties thereto, the banks and financial institutions party thereto, as lenders (the “RCF Lenders”), and Citibank, N.A., as administrative agent (in such capacity, the “RCF Agent,” and collectively with the RCF Lenders and the “Other Creditors” (as defined in the Revolving Credit Agreement), the “RCF Secured Parties”).

7. The 2020 Notes were issued under that certain Indenture, dated as of June 3, 2013 (as amended, restated, supplemented, or otherwise modified, the “2020 Indenture,” and collectively with all agreements, documents, notes, mortgages, security agreements, pledges, guarantees, subordination agreements, deeds, instruments, indemnities, indemnity letters, working fee letters, assignments, charges, amendments, and any other agreements delivered pursuant thereto or in connection therewith, the “2020 Notes Documents”), by and among PDSA, as issuer, certain of PDSA’s subsidiaries, as guarantors, (the “2020 Notes Guarantors,” and collectively with PDSA, the “2020 Notes Obligors”), and Deutsche Bank Trust Company Americas, as indenture trustee (in such capacity, the “2020 Indenture Trustee”) for the noteholders thereunder (the “2020 Noteholders” and, collectively with the 2020 Indenture Trustee, the “2020 Notes Secured Parties”).

8. The Term Loan B Credit Facility is governed by that certain credit agreement, dated as of June 3, 2013 (as amended, restated, supplemented, or otherwise modified, the “Term Loan Agreement,” and collectively with all agreements, documents, notes, mortgages, security agreements, pledges, guarantees, subordination agreements, deeds, instruments, indemnities, indemnity letters, working fee letters, assignments, charges, amendments, and any other agreements delivered pursuant thereto or in connection therewith, the “Term Loan Documents”), by and among PDSA, as borrower, the various guarantor parties thereto, as guarantors (the “Term Loan Guarantors,” and collectively with PDSA, the “Term Loan Obligors”), the lead arranger and bookrunner parties thereto, the banks and financial institutions party thereto, as lenders (the “Term Loan Lenders”), and the administrative agent thereunder (the “Term Loan Agent,” and collectively with the Term Loan Lenders, the “Term Loan Secured Parties” and, collectively with the RCF Secured Parties and the 2020 Notes Secured Parties, the “Ship Group A Secured Parties” or the “Prepetition Shared Collateral Secured Parties”).

9. All Ship Group A Debt is recourse to the same Debtors. The RCF Guarantors, 2020 Note Guarantors and Term Loan B Guarantors are the same entities; Pacific International Drilling West Africa Ltd., a non-Debtor, and the following Debtors: Pacific Drilling, Inc., Pacific Drilling Finance S.à r.l., Pacific Drillship SARL, Pacific Drilling Limited, Pacific Scirocco Ltd., Pacific Bora Ltd., Pacific Mistral Ltd., Pacific Santa Ana (Gibraltar) Limited, Pacific Santa Ana S.à r.l. and Pacific Drillship Nigeria Limited (collectively, the “Ship Group A Subsidiary Obligors”).

10. The Ship Group A Debt is secured, on an equal and ratable first-priority basis, subject to payment priorities in favor of the RCF Lenders pursuant to an intercreditor agreement, dated as of June 3, 2013, by and among the RCF Agent, Term Loan Agent, 2020

Indenture Trustee, Citibank, N.A., as pari passu collateral agent, PDSA and each other grantor signatory thereto or who executed a joinder to same (as amended restated, supplement or otherwise modified from time to time, the “Prepetition Shared Collateral Intercreditor Agreement”), by, among other things, liens on the *Pacific Bora*, the *Pacific Mistral*, the *Pacific Scirocco* and the *Pacific Santa Ana* (the “Ship Group A Vessels”) and certain other assets of the Ship Group A Subsidiary Obligors, a pledge of the equity of the entities that own the Ship Group A Vessels and assignments of earnings and insurance proceeds with respect to the Ship Group A Vessels. The collateral securing the Debtors’ obligations under the Ship Group A Debt pursuant to the Revolving Credit Agreement, Term Loan Agreement, 2020 Senior Secured Notes Indenture and related documents is referred to herein as the “Ship Group A Collateral” or the “Prepetition Shared Collateral”.

## **B. Ship Group B Debt**

11. The Prepetition Debt with claims against Ship Group B was incurred when Debtors Pacific Sharav S.à.r.l. (“PSS”) and Pacific Drilling VII Limited (“PDVII”, and together with PSS, the “SSCF Borrowers”) entered into that certain Senior Secured Credit Facility Agreement, dated as of February 19, 2013 (as amended, restated, supplemented, or otherwise modified, the “Senior Secured Credit Facility Agreement,” and collectively with all agreements, documents, notes, mortgages, security agreements, pledges, guarantees, subordination agreements, deeds, instruments, indemnities, indemnity letters, working fee letters, assignments, charges, amendments, and any other agreements delivered pursuant thereto or in connection therewith, including the “Credit Documents” as such term is defined in the Senior Secured Credit Facility Agreement, the “SSCF Documents”), by and among the SSCF Borrowers, as borrowers, PDSA, as guarantor party thereto, (the “SSCF Guarantor,” and collectively with the SSCF Borrowers, the “SSCF Obligors”), the lead arranger and bookrunner parties thereto, the banks

and financial institutions party thereto, as lenders (the “SSCF Lenders”), Garanti-Instituttet for Eksportkreditt (“GIEK”), Wilmington Trust, National Association, as successor Administrative Agent, GIEK Facility Agent, Security Agent, and Account Bank (in such capacities, the “SSCF Agent,” and collectively with the SSCF Lenders and GIEK, the “Ship Group B Secured Parties” or the “Senior Secured Credit Facility Secured Parties”).

12. The Debtors’ obligations under the Ship Group B Debt are secured on a first-priority basis by, among other things, liens on the *Pacific Sharav* and the *Pacific Meltem*, a pledge of the equity of the SSCF Borrowers, and assignments of internal charters, earnings, earnings accounts and insurance proceeds with respect to the *Pacific Sharav* and the *Pacific Meltem*, including assignments from Pacific Drilling Operations, Inc., the internal charterer for the *Pacific Sharav*. The collateral securing the Debtors’ obligations under the Ship Group B Debt pursuant to the Senior Secured Credit Facility Agreement and related documents is referred to herein as the “Ship Group B Collateral” or the “SSCF Prepetition Collateral”. The SSCF Borrowers’ obligations under the Senior Secured Credit Facility Agreement are guaranteed by PDSA on an unsecured basis.

13. In accordance with the Senior Secured Credit Facility Agreement, the Debtors maintain a \$50 million minimum liquidity balance in an account at the SSCF Agent. As of the Petition Date, this balance was held in an earnings account in the name of PDVII that was subject to a deposit account control agreement in favor of the SSCF Agent (the “SSCF Minimum Liquidity Account”).

### **C. Ship Group C Debt**

14. The Prepetition Debt with claims against Ship Group C was incurred pursuant to that certain Indenture, dated as of November 28, 2012 (as amended, restated, supplemented, or otherwise modified, the “2017 Indenture,” and collectively with all

agreements, documents, notes, mortgages, security agreements, pledges, guarantees, subordination agreements, deeds, instruments, indemnities, indemnity letters, working fee letters, assignments, charges, amendments, and any other agreements delivered pursuant thereto or in connection therewith, the “2017 Notes Documents”), by and among Pacific Drilling V Limited (“PDV”), as issuer, PDSA, as guarantor, (the “2017 Notes Guarantor,” and together with PDV, the “2017 Notes Obligor”), and Deutsche Bank Trust Company Americas, as indenture trustee (in such capacity, the “2017 Indenture Trustee”) and as collateral agent (in such capacity, the “2017 Collateral Agent”) for the noteholders thereunder (the “2017 Noteholders” and, collectively with the 2017 Indenture Trustee and the 2017 Collateral Agent, the “Ship Group C Secured Parties” or the “2017 Notes Secured Parties”) (the RCF Secured Parties, the 2020 Notes Secured Parties, the Term Loan Secured Parties, the Senior Secured Credit Facility Secured Parties, and the 2017 Notes Secured Parties, collectively, the “Prepetition Secured Parties”) (the RCF Agent, the 2020 Indenture Trustee, the Term Loan Agent, the SSCF Agent, the 2017 Indenture Trustee and the 2017 Collateral Agent, the “Prepetition Agents”).

15. The Ship Group C Debt is secured on a first-priority basis by liens on the *Pacific Khamsin* and (subject to certain exceptions) substantially all of the other assets of PDV, a pledge of the equity of PDV and by assignments of earnings and insurance proceeds related to the *Pacific Khamsin*. The collateral securing the Debtors’ obligations under the Ship Group C Debt pursuant to the 2017 Senior Secured Notes Indenture and related documents is referred to herein as the “Ship Group C Collateral” or the “2017 Notes Prepetition Collateral”, and collectively with the Prepetition Shared Collateral and the SSCF Prepetition Collateral, the “Prepetition Collateral”. PDV’s obligations under the 2017 Senior Secured Notes Indenture are guaranteed by PDSA on an unsecured basis.



## II. The Debtors' Need for Authorization to Use Cash Collateral

16. The Debtors and their non-Debtor subsidiaries operate an integrated global business utilizing the centralized "Cash Management System" described and defined in the Debtor's Cash Management Motion<sup>3</sup>. The Cash Management System allows the Debtors to keep excess cash in central accounts to which all of Pacific Drilling has access to pay for operations, avoiding the additional liquidity that would be required if each participant in the Cash Management System was required to maintain its own, segregated working capital. Moreover, the Debtors' business is not conducted silo-by-silo. Rather, the Debtors' business is operated as a single business unit, with no single Debtor able to conduct business on its own. Drillships owned by some Debtors are deployed based on the location and technical specifications of the individual drillships and customer preferences, and crews and services are made available by other Debtors and non-Debtor subsidiaries that do not own drillships and are generally not guarantors of any Prepetition Debt. As a result, the use of an integrated Cash Management System is essential to the preservation of the value of Pacific Drilling and its ability to operate successfully.

17. As described in the Reese Declaration, most of the Debtors' cash on hand as of the Petition Date is unencumbered, with the exception of cash in the SSCF Minimum Liquidity Account and a PDSA bank account securing ACH transfer and credit card programs. However, through operations, the Debtors are expected to acquire cash after the Petition Date that may relate to drillships, contracts or insurance policies that constitute Prepetition Collateral. Holders of Prepetition Debt may assert that their security interest in Prepetition Collateral

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<sup>3</sup> *Debtors' Motion for Interim and Final Orders (A) Authorizing the Continued Use of their Cash Management System, Bank Accounts and Business Forms, (B) Authorizing the Debtors to Make Intercompany Advances on a Secured Basis under Sections 364(c) and 364(d) of the Code, (C) Granting a Waiver of the Deposit Guidelines Set Forth in Section 345 of the Bankruptcy Code and (D) Granting Related Relief*, filed contemporaneously herewith and incorporated herein by reference.

extends pursuant to section 552 of the Bankruptcy Code to some portion of the cash acquired by the Debtors after the Petition Date. At this time, to permit continued ordinary course use of the Cash Management System, the Debtors are requesting authorization to use cash collateral within the meaning of section 363(a) of the Bankruptcy Code acquired after the Petition Date solely *to the extent* constituting Prepetition Collateral (“Cash Collateral”), while preserving their rights and the rights of the Prepetition Secured Parties to contest whether cash acquired by the Debtors after the Petition Date is Cash Collateral.

### **III. Proposed Adequate Protection**

18. The Debtors propose, subject to Court approval, to adequately protect any interest of the Prepetition Secured Parties in the Prepetition Collateral—including Cash Collateral used as authorized by the Proposed Orders and all other Prepetition Collateral used by the Debtors in the ordinary course of business—by continuing to operate and maintain the Pacific Drilling business and fleet. Further, as more fully described below, the Debtors intend to provide additional adequate protection to the Prepetition Secured Parties in the form of, among other things, (a) Adequate Protection Liens, (b) Superpriority Adequate Protection Claims, (c) payment of certain fees and expenses incurred by the Prepetition Secured Parties, (d) with respect to certain Prepetition Secured Parties, periodic payments equal to interest at the applicable non-default contract rate, (e) maintenance of insurance on Prepetition Collateral, (f) access to books and records, (g) undertakings not to enter into or terminate certain drillship charters without Court approval and (h) reporting obligations.

### **Jurisdiction**

19. The Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b). The statutory predicates for the relief requested

herein are sections 105(a), 361, 362, 363 and 552 of the Bankruptcy Code, Bankruptcy Rules 4001 and 9014 and rule 9013-1(a) of the Local Bankruptcy Rules for the Southern District of New York (the “Local Rules”).

**Relief Requested**

20. By this Motion, the Debtors request entry of the Proposed Orders (a) authorizing the Debtors’ proposed use of Cash Collateral, (b) granting adequate protection as described below to the Prepetition Secured Parties with respect to Prepetition Collateral, (c) the automatic stay imposed by section 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the terms and provisions of the Proposed Orders and (d) scheduling a Final Hearing to consider the relief requested in this Motion on a final basis as set forth in the Final Order.

**Compliance with Rules 4001 and 9014 and Local Rule 4001-2 Concerning  
Cash Collateral Use**

21. In accordance with Rule 4001(b)(1)(B)(i)-(iv) of the Bankruptcy Rules and Local Rule 4001-2, a summary of the Debtors’ proposed use of Cash Collateral is set forth below.

- (a) Parties with an Interest in the Cash Collateral: The parties with an interest in any Cash Collateral are the Prepetition Secured Parties.
- (b) Use of Cash Collateral: The Debtors propose to use any Cash Collateral, wherever such Cash Collateral may be located, to among other things, (a) continue their operations, pay for corporate needs and the costs of administering these chapter 11 cases and provide funding to their subsidiaries (whether Debtors or non-Debtors) consistent with the practices and limitations described in the Cash Management Motion, (b) make adequate protection payments as contemplated by the Interim Order and (c) pay certain prepetition obligations as further described in the Debtors’ “first day” motions filed concurrently herewith and as authorized pursuant to the “first day” orders granting such motions. (Proposed Orders, ¶ 3).

(c) Termination Date: The Debtors' authorization to use Cash Collateral pursuant to the Interim Order will terminate upon the earlier to occur of: (i) 11:59 p.m. on the forty-fifth day after the Petition Date, to the extent the Final Order has not been approved by the Court by such date; (ii) the date the Interim Order ceases to be in full force and effect for any reason to the extent the Final Order has not been entered at such time; (iii) the date the Court enters an order dismissing any of these chapter 11 cases; (iv) the date the Court enters an order converting any of these chapter 11 cases to a case under chapter 7 of the Bankruptcy Code; and (v) the Bankruptcy Court shall have entered an order reversing, amending, supplementing, vacating, or otherwise modifying the Interim Order without the consent of each of the Prepetition Agents. The Debtors' authorization to use Cash Collateral pursuant to the Final Order will terminate upon the earlier to occur of: (i) the date the Final Order ceases to be in full force and effect for any reason to the extent the Final Order has not been entered at such time; (ii) the date the Court enters an order dismissing any of these chapter 11 cases; (iii) the date the Court enters an order converting any of these chapter 11 cases to a case under chapter 7 of the Bankruptcy Code; and (iv) the Bankruptcy Court shall have entered an order reversing, amending, supplementing, vacating, or otherwise modifying the Final Order without the consent of each of the Prepetition Agents. (Proposed Orders, ¶ 4).

(d) Adequate Protection:

(i) Adequate Protection Liens: To secure any Superpriority Adequate Protection Claim (defined below) against any Debtor or payment of any amount due by any Debtor under the Proposed Orders, valid, binding, enforceable and perfected security interests in and liens upon (the "Adequate Protection Liens") all property, whether now owned or hereafter acquired or existing and wherever located, of any such Debtor and the other Debtors in such Debtor's Ship Group, and their respective "estates" (as created pursuant to section 541(a) of the Bankruptcy Code), of any kind or nature whatsoever, real or personal, tangible or intangible, including, without limitation, all cash, accounts, inventory, goods, contract rights, instruments, documents, chattel paper, patents, trademarks, copyrights, and licenses therefor, accounts receivable, receivables and receivables records, general intangibles, payment intangibles, tax or other refunds, insurance proceeds, letters of credit, contracts, owned real estate, real property leaseholds, vessels, charter-hire receipts, earnings, insurance policies and proceeds, fixtures, deposit accounts,

commercial tort claims, securities accounts, instruments, investment property, letter-of-credit rights, supporting obligations, machinery and equipment, real property, leases (and proceeds from the disposition thereof), including equity interests in subsidiaries and non-wholly-owned subsidiaries, money, investment property, and causes of action (other than causes of action arising under sections 502(d), 544, 545, 547, 548, 550 (unless related to an action under 549), 551 (unless related to an action under 549), or 553 of the Bankruptcy Code (the “Avoidance Actions”)) and, subject to entry of the Final Order, the proceeds of Avoidance Actions, Cash Collateral, and all other cash and non-cash proceeds, rents, products, substitutions, accessions, and profits of any of the collateral described above, whether in existence on the Petition Date or thereafter created, acquired, or arising and wherever located (all such property, other than the Prepetition Collateral in existence immediately prior to the Petition Date and proceeds, rents, products, profits, and offspring of such Prepetition Collateral, being collectively referred to as, the “Postpetition Collateral,” and together with the Prepetition Collateral, the “Collateral”) without the necessity of the execution of mortgages, security agreements, pledge agreements, financing statements, or other agreements. (Proposed Orders, ¶ 5(a)).

- (ii) Superpriority Claims: To the extent and in an amount equal to any diminution in value of such Prepetition Secured Party’s interests, if any, in the Prepetition Collateral, including Cash Collateral, of a Debtor, from and after the Petition Date resulting from the imposition and enforcement of the automatic stay and such Debtor’s use of such Prepetition Collateral (including for the avoidance of doubt any diminution in value resulting from the Carve-Out (as defined below)), an allowed superpriority administrative expense claim against such Debtor and each other Debtor in such Debtor’s Ship Group, jointly and severally, pursuant to sections 503(b), 507(a) and 507(b) of the Bankruptcy Code as provided for in section 507(b) of the Bankruptcy Code (a “Superpriority Adequate Protection Claim”). Subject and subordinate to the Carve-Out, (i) any Superpriority Adequate Claim shall be an allowed claim against the Debtors in the applicable Ship Group, jointly and severally, with priority over any and all administrative expenses and all other claims against such Debtors now existing or hereafter arising, of any kind whatsoever, including, without limitation, all other administrative

expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code and over any and all other administrative expenses or other claims arising under any other provision of the Bankruptcy Code, including, without limitation, sections 105, 326, 327, 328, 330, 331, 503(b), 507(a), 507(b), or 1114 of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other nonconsensual lien, levy or attachment, (ii) subject to the Final Order, the Superpriority Adequate Protection Claims shall be payable from and have recourse to the proceeds of the Avoidance Actions and (iii) the allowed Superpriority Adequate Protection Claims shall be payable from and have recourse to all unencumbered pre- and post-petition property of the applicable Debtor (subject to the foregoing sentence). No cost or expense of administration under sections 105, 503 or 507 of the Bankruptcy Code or otherwise, including any such cost or expense resulting from or arising after the conversion of the any of these chapter 11 cases under section 1112 of the Bankruptcy Code, shall be senior to, or *pari passu* with, the Superpriority Adequate Protection Claims. (Proposed Orders, ¶ 5(b)).

- (iii) Fees and Expenses: Fourteen (14) days U.S. Trustee for the Southern District of New York (the “U.S. Trustee”) of summary form invoices therefor, the Debtors shall pay, without further order of, or application to, this Court or notice to any other party, of all outstanding prepetition and all postpetition reasonable and documented fees and expenses incurred by the Prepetition Agents, including, without limitation:

(A) the fees and expenses incurred by (a) Shearman & Sterling LLP, as counsel to the RCF Agent, (b) White & Case LLP, as counsel to the ad hoc group of RCF Lenders, (c) PJT Partners LP, as financial advisor to the RCF Agent, in accordance with its engagement letter agreed by the Debtors, and (d) any other local, maritime, or foreign counsel retained by the RCF Agent or the ad hoc group of RCF Lenders whose services are discrete and not duplicative of the services of any other counsel of the RCF Agent or the ad hoc group of RCF Lenders;

(B) the fees and expenses incurred by (a) Milbank Tweed, Hadley & McCloy LLP, as

counsel to the SSCF Agent, (b) Moelis & Company LLC, as financial advisor to the SSCF Agent, in accordance with its engagement letter agreed by the Debtors, and (c) any other local, maritime, or foreign counsel (including Norwegian counsel) retained by the SSCF Agent whose services are discrete and not duplicative of the services of any other counsel of the SSCF Agent;

(C) the fees and expenses incurred by (a) Paul, Weiss, Rifkind, Wharton & Garrison LLP, as counsel to the ad hoc group of bondholders (the “Ad Hoc Group”), (b) Houlihan Lokey, as financial advisor to the Ad Hoc Group, in accordance with its prepetition engagement letter, and (c) any other local, maritime, or foreign counsel retained by the ad hoc group of bondholders whose services are discrete and not duplicative of the services of any other counsel of the Ad Hoc Group; provided that, for the avoidance of doubt, such fees and expenses shall not be subject to any payment priority or turnover provisions set for in the Prepetition Shared Collateral Intercreditor Agreement, including Sections 2.3 and 2.5 thereof;

(D) the fees and expenses incurred by (a) Moses & Singer LLP, as counsel to the 2020 Indenture Trustee, and (b) any other local, maritime, or foreign counsel retained by the 2020 Indenture Trustee whose services are discrete and not duplicative of the services of any other counsel of the 2020 Indenture Trustee or the Ad Hoc Group; provided that, for the avoidance of doubt, such fees and expenses shall not be subject to any payment priority or turnover provisions set for in the Prepetition Shared Collateral Intercreditor Agreement, including Sections 2.3 and 2.5 thereof;

(E) the fees and expenses incurred by (a) counsel to the Term Loan Agent, and (b) any other local, maritime, or foreign counsel retained by the Term Loan Agent whose services are discrete and not duplicative of the services of any other counsel of the Term Loan Agent or the Ad Hoc Group;

(F) the fees and expenses incurred by (a) Moses & Singer LLP, as counsel to the 2017 Indenture Trustee, and (b) any other local, maritime, or foreign counsel retained by the 2017 Indenture Trustee whose services are discrete and not duplicative of the services of any other counsel of the 2017 Indenture Trustee or the Ad Hoc Group.

(Proposed Orders, ¶ 5(c)).

(iv) Interest:

(A) The RCF Agent (on behalf of the RCF Secured Parties) shall receive from the Debtors (a) adequate protection payments made in cash consisting of all accrued and unpaid prepetition interest as well as current post-petition payments of interest in each case at the contractual non-default rate set forth in the RCF Documents (the foregoing to include all unpaid prepetition interest), as and when such interest becomes due and payable (in the absence of any default) in accordance with the terms of the RCF Documents; and (b) upon entry of each of the Proposed Orders, all other due and unpaid fees, costs and disbursements (other than legal and advisory fees and expenses). For the avoidance of doubt, the payment of interest described in this paragraph shall be without prejudice to the rights of the RCF Secured Parties to assert claims for payment of additional interest at any other rates in accordance with the RCF Documents and/or to request current payment of interest accrued at the default rate.

(B) The SSCF Agent (on behalf of the SSCF Secured Parties) shall receive from the Debtors (a) adequate protection payments made in cash consisting of all accrued and unpaid prepetition interest as well as current post-petition payments of interest in each case at the contractual non-default rate set forth in the SSCF Documents (the foregoing to include all unpaid prepetition interest), as and when such interest becomes due and payable (in the absence of any default) in accordance with the terms of the SSCF Documents; and (b) upon entry of each of the Proposed Orders, all other due and unpaid fees, costs and



disbursements (other than legal and advisory fees and expenses). For the avoidance of doubt, the payment of interest described in this paragraph shall be without prejudice to the rights of the SSCF Secured Parties to assert claims for payment of additional interest at any other rates in accordance with the SSCF Documents and/or to request current payment of interest accrued at the default rate.<sup>4</sup>

(Proposed Orders, ¶ 5(d)).

- (v) Insurance on Assets: The Debtors shall provide continued maintenance of and appropriate insurance on the Debtors' assets (including the vessels), in the amounts consistent with the Debtors' prepetition practices and as set forth in the applicable Prepetition Debt Instruments. (Proposed Orders, ¶ 5(e)).
- (vi) Books and Records: The Debtors shall permit representatives, agents and employees of the Prepetition Agents to examine the Debtors' books and records. (Proposed Orders, ¶ 5(f)).
- (vii) Entry Into or Termination of Charters: The Debtors shall not (a) enter into any charters with a term greater than one year with respect to any drillship (or extend or agree to extend the term of any such charter beyond one year) or (b) terminate, reject or reassign the Offshore Drilling Contract, by and between Chevron U.S.A. Inc., through its division, Chevron North America Exploration and Production Company, and Pacific Drilling Operations, Inc., dated June 15, 2012, in each case without Court approval after notice to the Prepetition Agents of the applicable Ship Group. (Proposed Orders, ¶ 5(g)).
- (viii) Reporting: On or before December 8, 2017 and no later than the first Friday of each calendar month thereafter, the Debtors shall provide updated 13-week cash flow projections to the Prepetition Agents, which shall include the projected cash balance at the Pool Leader at the end of the applicable 13-week period. The Debtors also shall provide the Prepetition Agents on a weekly basis a report of

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<sup>4</sup> For the avoidance of doubt, the interest payments referenced in this Paragraph 21.d.iv.B shall include, without limitation, the Fifth Amendment GIEK Premium and the Fifth Amendment Commercial Premium (each, as defined in the SSCF Documents), whether such payments are owed for the account of the SSCF Lenders or GIEK.

(a) weekly and cumulative variances between actual and projected expenditures and (b) the cash balance at the Pool Leader at the time of such report. The Debtors shall make themselves reasonably available to the Agents to answer questions with respect to the 13-week cash flow projections and such weekly reports. (Proposed Orders, ¶ 5(h)).

- (e) Carve-Out: The “Carve-Out” shall mean, with respect to each Debtor, (i) any fees payable by such Debtor to the Clerk of the Bankruptcy Court or to the Office of the United States Trustee pursuant to section 1930(a) of title 28 of the United States Code, and any interest on such fees payable pursuant to section 3717 of title 31 of the United States Code; (ii) the reasonable fees and expenses up to \$50,000 in the aggregate for all Debtors incurred by a trustee appointed in these cases under section 726(b) of the Bankruptcy Code; (iii) solely with respect to Debtors other than the Drillship Subsidiaries, all accrued and unpaid reasonable fees, disbursements, costs, and expenses (the “Professional Fees”) incurred by such Debtor with respect to (A) professionals or professional firms retained by the Debtors pursuant to sections 327, 328, or 363 of the Bankruptcy Code, (B) professionals or professional firms retained by any statutory committee appointed in these chapter 11 cases pursuant to section 1103 of the Bankruptcy Code (a “Committee”), or (C) any claims and noticing agent retained in accordance with 28 U.S.C. § 156(c) (collectively, the “Estate Professionals”), which Professional Fees (x) are allowed or approved by the Court at any time and (y) have been incurred (regardless of when invoiced or applied for) at any time on or before the date of the termination of the Debtors’ right to use the Cash Collateral pursuant to the Interim Order (the “Termination Date”); (iv) solely with respect to Debtors other than the Drillship Subsidiaries, the Professional Fees of the Estate Professionals incurred after the Termination Date and allowed or approved by the Court, in an aggregate amount not exceeding \$500,000 in the aggregate for all Debtors; and (v) subject to the Proposed Orders, any recovery from Prepetition Collateral or Postpetition Collateral approved by the Court after notice and hearing as a permissible recovery under section 506(c) of the Bankruptcy Code. (Proposed Orders, ¶ 6.)
- (f) 506(c) Waiver: Subject to the entry of a Final Order, except as provided in the Proposed Orders, no costs or expenses of administration which have been or may be incurred in any of these chapter 11 cases at any time shall be charged against any Prepetition Secured Party, any of the Prepetition Debt, any of their respective claims, or the Collateral pursuant to sections 506(c) or 105(a) of the Bankruptcy Code, or otherwise, without the prior

written consent of the affected Prepetition Agent, and no such consent shall be implied from any other action, inaction, or acquiescence by any of the Prepetition Secured Parties or their respective representatives; provided, the Debtors may surcharge Ship Group A Collateral or Ship Group C Collateral pursuant to section 506(c) of the Bankruptcy Code (a) as approved by the Court upon a motion after notice and hearing and (b) with respect to the costs and expenses of upgrading, repairing or maintaining drillships that do not exceed, on an interim basis, in the aggregate \$25.0 million with respect to Ship Group A Collateral and \$7.5 million with respect to Ship Group C Collateral; provided, further that all rights of the Prepetition Secured Parties to oppose any such motion are fully preserved. (Proposed Orders, ¶ 7.)

- (g) Priority of Adequate Protection Liens: Subject to the Carve-Out, the extent and priority of any Adequate Protection Lien granted to a Prepetition Secured Party with respect to Postpetition Collateral shall be the same as existed as of the Petition Date with respect to its Prepetition Collateral. (Proposed Orders, ¶ 14).
- (h) Reservation of Rights: Except as set forth in the Proposed Orders, including, without limitation, in paragraph C of each of the Proposed Orders, nothing in this Motion or the Proposed Orders shall constitute an admission or stipulation by the Debtors as to the amount, validity, enforceability or priority of any claim or interest in property, the extent of any security interest in property acquired after the Petition Date, or the existence of any diminution of value of any interest in the Prepetition Collateral after the Petition Date. The Debtors shall provide adequate protection to Prepetition Secured Parties only to the extent that the Prepetition Secured Parties' prepetition claims and liens exist, are valid, prior to all others and not subject to defense, offset, avoidance or subordination. (Proposed Orders, ¶ 27).

### **Basis for Relief**

#### **I. The Debtors' Proposed Use of Cash Collateral is Warranted and Should be Approved.**

22. Section 363 of the Bankruptcy Code governs a debtor's use of property of the estate. Generally, a debtor may use property of the estate in the ordinary course of business without notice and a hearing. 11 U.S.C. § 363(c)(1). With respect to cash collateral, section 363(c)(2) of the Bankruptcy Code provides that the Court may authorize debtors to use cash

collateral without the consent of the secured parties with an interest therein. *See* 11 U.S.C. § 363(c)(2).<sup>5</sup> Courts have repeatedly recognized that the use of cash collateral is appropriate where necessary to preserve a debtor's ability to continue operations and reorganize, or to maintain property of the estate. *See, e.g., In re Dynaco Corp.*, 162 B.R. 389, 394 (Bankr. D.N.H. 1993) (stating that "the purpose of Chapter 11 is to rehabilitate debtors, and, generally, access to such cash collateral is necessary in order to operate a business"); *Chrysler Credit Corp. v. George Ruggiere Chrysler-Plymouth, Inc. (In re George Ruggiere Chrysler-Plymouth, Inc.)*, 727 F.2d 1017, 1020 (11th Cir. 1984) (allowing debtor to use cash collateral over secured creditor's objection after noting that "[w]ithout the availability of cash to meet daily operating expenses such as rent, payroll, utilities, etc., the congressional policy favoring rehabilitation over economic failure would be frustrated."); *Stein v. U.S. Farmers Home Admin. (In re Stein)*, 19 B.R. 458, 459 (Bankr. E.D. Pa. 1982) (granting cash collateral motion and noting that access to cash is imperative for a debtor to operate its business); *In re Constable Plaza Assocs.*, 125 B.R. 98, 105 (Bankr. S.D.N.Y. 1991) (recognizing that the debtor's use of cash collateral to operate and maintain an office building would preserve or enhance the value of the building, protecting the lender's collateral).

23. The Debtors require the use of Cash Collateral to continue operations and preserve the value of their assets. Specifically, the Debtors' use of Cash Collateral enables continued use of the Cash Management System, ensuring that the Debtors can (a) continue their operations, pay the costs of administering these chapter 11 cases and provide funding to their subsidiaries (whether Debtors or non-Debtors) consistent with the practices described in the Cash

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<sup>5</sup> Section 362(c)(2) provides that a debtor may not use 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 the use, sale or lease in accordance with the provisions of this Section."

Management Motion, (b) make adequate protection payments as contemplated by the Proposed Orders and (c) pay certain prepetition obligations as further described in the Debtors' "first day" motions filed concurrently herewith and as authorized pursuant to the "first day" orders granting such motions, in each case without interruption.

24. The uninterrupted operation of the Debtors' business in the ordinary course pursuant to their performance obligations under current and future customer contracts is essential to preserving the value of the Debtors' estates and maximizing the Debtors' opportunity for successful reorganization. The value of the Debtors' business depends on long-term business relationships with suppliers, customers and employees that may be threatened if the Debtors are unable to satisfy their commercial obligations as they become due and provide their counterparties with assurances that the Debtors can pay amounts that may become due in the future. In short, any lapse in the Debtors' operations, even if transitory, could have a devastating economic impact on the going concern value of the Debtors' business. Absent the relief sought herein, the Debtors' ability to continue generating revenue, operate their business or pay the hundreds of individuals they employ during the prosecution of these chapter 11 cases would be at risk.

25. For the reasons noted above, the Debtors have determined, in the exercise of their sound business judgment, that the use of Cash Collateral is in the best interests of all parties in interest and will maximize the value of their estates.

## **II. The Debtors' Proposed Adequate Protection is Appropriate and Should be Approved.**

26. In considering whether to authorize use of collateral, upon the request of a party that has an interest in such collateral, a court must find that the interests of a holder of a secured claim are adequately protected if such party does not consent to the use of such

collateral. *See* 11 U.S.C. § 363(e). Section 361 of the Bankruptcy Code contains a non-exhaustive list of acceptable forms of adequate protection, including a cash payment or periodic cash payments, additional liens, replacement liens, and the “indubitable equivalent of such entity’s interest in such property.” *See* 11 U.S.C. § 361.

27. The focus of the adequate protection requirement is to preserve the secured creditor’s position at the time of the bankruptcy filing and protect the secured creditor from diminution in the value of its collateral during the reorganization process. *In re Mosello*, 195 B.R. 277, 288 (Bankr. S.D.N.Y. 1996); *In re Beker Indus. Corp.*, 58 B.R. 725, 736 (Bankr. S.D.N.Y. 1986). “However, neither the legislative history nor the Bankruptcy Code requires the Court to protect a creditor beyond what was bargained for by the parties.” *In re WorldCom, Inc.*, 304 B.R. 611, 619 (Bankr. S.D.N.Y. 2004). Moreover, adequate protection under the Bankruptcy Code does not entitle the creditor to absolute protection. *Beker*, 58 B.R. at 741 (“Adequate protection, not absolute protection, is the statutory standard.”).

28. Here, the Prepetition Secured Parties’ interests in the Prepetition Collateral will be adequately protected from any diminution in value resulting from the Debtors’ use of such Prepetition Collateral during these chapter 11 cases. The Debtors intend to use Prepetition Collateral, including Cash Collateral, to perform under existing and future customer contracts and to continue operating and maintaining their business and the drillships constituting Prepetition Collateral. Courts have determined that secured lenders are adequately protected when a debtor uses cash to maintain the lenders’ collateral and related operations. *See, e.g., In re Salem Plaza Assocs.*, 135 B.R. 753, 758 (Bankr. S.D.N.Y. 1992) (holding that debtor’s use of cash collateral from shopping center to pay operating expenses, thereby “preserv[ing] the base that generates the income stream,” provided adequate protection to the secured creditor). The

Cash Management System, funded not only with Cash Collateral, but also with over \$250 million of unencumbered cash, makes advances to the participating Debtors as needed. By participating in the Cash Management System, each Debtor avoids the need for third party liquidity and will be able to access the centralized Cash Management System for group liquidity and the payment of costs and expenses.

29. The Debtors also have proposed to provide additional adequate protection to the Prepetition Secured Parties in the form of, among other things, (a) Adequate Protection Liens, (b) Superpriority Adequate Protection Claims, (c) payment of certain fees and expenses incurred by the Prepetition Secured Parties, (d) with respect to certain Prepetition Secured Parties, periodic payments equal to interest at the applicable non-default contract rate, (e) maintenance of insurance on Prepetition Collateral, (f) access to books and records, (g) undertakings not to enter into or terminate certain drillship charters without Court approval and (h) reporting obligations. Courts in this district have approved similar forms of adequate protection. *See, e.g., In re CGG Holdings (U.S.) Inc.*, No. 17-11637 (MG) (Bankr. S.D.N.Y. Jul. 18, 2017). Accordingly, the Debtors submit that each Prepetition Secured Party will be adequately protected, including by (a) receiving either (i) cash payments or (ii) additional or replacement liens to the extent of the decrease in the value in such Prepetition Secured Party's interest in the Prepetition Collateral resulting from the Debtors' use of, or the imposition of the automatic stay with respect to, Prepetition Collateral, or (b) realizing the indubitable equivalent of its interest in the Prepetition Collateral as of the Petition Date.

**Request for Interim Relief Under Bankruptcy Rule 4001(b)(2)**

30. Pursuant to Bankruptcy Rule 4001(b)(2), a minimum of 14 days' notice is required before the commencement of a final hearing on any motion seeking authorization to use cash collateral. However, the Court may authorize the use of cash collateral on an interim basis

prior to the expiration of the 14-day notice period, to the extent “necessary to avoid immediate and irreparable harm to the estate pending a final hearing.” Bankruptcy Rule 4001(b)(2).

31. It is essential to the continued and uninterrupted operation of the Debtors’ business that they be authorized by the Court to use the Cash Collateral on the terms described herein and as set forth in the Interim Order pending the Final Hearing on this Motion. Unless this Motion is granted on an interim basis, the Debtors may have difficulty paying their operating expenses, including to their suppliers and employees, and satisfying their customer obligations, which could harm the Debtors’ operations, customer base and revenues. In the absence of the interim relief requested, the Debtors’ attempts to continue their business in the ordinary course would be immediately jeopardized. Accordingly, the Debtors respectfully request approval of this Motion, pending the Final Hearing, on an interim emergency basis, on the terms and subject to the conditions set forth in the Interim Order, or on such other terms that the Court may deem appropriate.

32. The Debtors also request that the Court schedule the Final Hearing on this Motion within 30 days of the Petition Date, with objections thereto being due in writing on or before the date that is at least seven days prior to such Final Hearing.

**Request for Waiver of Bankruptcy Rule 6004(h)**

33. Given the nature of the relief requested herein, and for the same reasons stated above, the Debtors respectfully request a waiver of the 14-day stay under Bankruptcy Rule 6004(h). Under Bankruptcy Rule 6004(h), “[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until expiration of 14 days after entry of the order, unless the court orders otherwise.” Fed. R. Bankr. P. 6004(h). As explained above, the relief requested herein is necessary to avoid immediate and irreparable harm to the Debtors.



Accordingly, the Debtors request that the stay under Bankruptcy Rule 6004(h) be waived, and that the Proposed Orders each become effective immediately upon entry by the Court.

**Request for Modification of the Automatic Stay**

34. The Debtors seek modification of the automatic stay (to the extent applicable) imposed by operation of section 362 of the Bankruptcy Code to (a) permit the Debtors to grant Adequate Protection Liens, subject to the Carve-Out; (b) permit the Debtors to perform such acts as the Prepetition Secured Parties may request to assure the perfection and priority of the liens granted herein; and (c) permit the Debtors to incur all liabilities and obligations to the Prepetition Secured Parties under the terms of the Proposed Orders.

**Notice**

35. Notice of this Motion has been provided to the following parties, or, in lieu thereof, their counsel: (a) the U.S. Trustee; (b) counsel to each of the agents and trustees of the Debtors' prepetition secured parties; (c) counsel to the ad hoc group of the Debtors' prepetition debt; (d) the Internal Revenue Service; (e) the Securities and Exchange Commission and (f) the parties identified on the Debtors' consolidated list of 30 largest unsecured creditors (collectively, the "Notice Parties"). In light of the nature of the relief requested, the Debtors respectfully submit that no other or further notice need be provided.

**No Prior Request**

36. The Debtors have not previously sought the relief requested herein from this or any other court.

**Conclusion**

WHEREFORE, for the reasons set forth herein, the Debtors respectfully request that the Court grant the relief requested in this Motion and the Proposed Orders and such other and further relief as is just and proper.

Dated: November 13, 2017  
New York, New York

*/s/ Andrew G. Dietderich*

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*Proposed Counsel to the Debtors and  
Debtors-in-Possession*

**EXHIBIT A**

**Proposed Interim Order**

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

<hr/>		X
In re	:	Chapter 11
	:	
PACIFIC DRILLING S.A., <i>et al.</i> , <sup>1</sup>	:	Case No. ____-____ (___)
	:	
Debtors.	:	Joint Administration Pending
	:	
<hr/>		X

**INTERIM ORDER (A) AUTHORIZING THE USE OF CASH  
COLLATERAL, (B) GRANTING ADEQUATE PROTECTION,  
(C) MODIFYING THE AUTOMATIC STAY, (D) SCHEDULING A  
FINAL HEARING AND (E) GRANTING RELATED RELIEF**

Upon the motion (the “Motion”)<sup>2</sup> of Pacific Drilling S.A., on behalf of itself and certain of its affiliates as debtors and debtors-in-possession in the above-captioned cases (collectively, the “Debtors”), requesting entry of interim (this “Interim Order”) and final orders, pursuant to sections 105(a), 361, 362, 363 and 552(a) of the Bankruptcy Code, (a) authorizing the Debtors’ proposed use of Cash Collateral, (b) granting adequate protection to the Prepetition Secured Parties with respect to Prepetition Collateral, including Cash Collateral, and any diminution thereof, but only to the extent that the Prepetition Secured Parties have an interest therein, (c) modifying the automatic stay imposed by section 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the terms and provisions of this Interim Order and the Final Order and (d) scheduling a final hearing (the “Final Hearing”) to consider the relief

<sup>1</sup> The Debtors in these chapter 11 cases and, if applicable, the last four digits of their U.S. taxpayer identification numbers are: Pacific Drilling S.A., Pacific Drilling (Gibraltar) Limited, Pacific Drillship (Gibraltar) Limited, Pacific Drilling, Inc. (1524), Pacific Drilling Finance S.à r.l., Pacific Drillship SARL, Pacific Drilling Limited, Pacific Sharav S.à r.l. (2431), Pacific Drilling VII Limited, Pacific Drilling V Limited, Pacific Drilling VIII Limited, Pacific Scirocco Ltd. (0073), Pacific Bora Ltd. (9815), Pacific Mistral Ltd., Pacific Santa Ana (Gibraltar) Limited, Pacific Drilling Operations Limited (9103), Pacific Drilling Operations, Inc. (4446), Pacific Santa Ana S.à r.l. (6417), Pacific Drilling, LLC (7655), Pacific Drilling Services, Inc. (5302), Pacific Drillship Nigeria Limited (0281) and Pacific Sharav Korlátolt Felelősségű Társaság.

<sup>2</sup> All capitalized terms used and not defined herein shall have the meanings ascribed to them in the Motion.

requested in the Motion on a final basis as set forth in the Final Order; and it appearing that this Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of these chapter 11 cases and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and notice of the Motion and the relief requested therein having been served by the Debtors as set forth in the Motion, and it appearing that notice was in the Debtors' belief, the best notice available under the circumstances; and any objections to the granting of the interim relief requested in the Motion having been withdrawn or overruled on the merits; and a hearing having been held to consider the relief requested in the Motion on an interim basis (the "Interim Hearing"); and upon the record of the Interim Hearing and all of the proceedings had before this Court; and this Court having found and determined that the relief sought in the Motion on an interim basis is in the best interests of the Debtors, their estates, their creditors and all other parties-in-interest; and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor;

Based upon the entire record established at the Interim Hearing, the Court hereby finds that:

A. Debtors' Stipulations. The Debtors admit, acknowledge, agree and stipulate to the following, subject to the provisions of paragraph 8 of this Interim Order.

i. Description of Prepetition Secured Obligations.

a. *Revolving Credit Facility Obligations.* Prior to the Petition Date, pursuant to the Revolving Credit Agreement and the other RCF Documents, the RCF Lenders made the Revolving Credit Facility available to PDSA, as borrower, in the principal amount of \$500,000,000. Each of the RCF Guarantors

provided an unconditional joint and several guaranty of the RCF Obligations (as defined below) arising under the RCF Documents. As of the Petition Date, the RCF Obligors were truly and justly indebted to the RCF Secured Parties pursuant to the RCF Documents, without defense, counterclaim or offset of any kind, in the aggregate principal amount of not less than (i) \$475,000,000 outstanding under the Revolving Credit Facility, plus (ii) accrued and unpaid interest with respect thereto, fees, costs and expenses (including any attorneys', financial advisors', and other professionals' fees and expenses) that are chargeable or reimbursable under the RCF Documents, and all other obligations under the RCF Documents (collectively, the "RCF Obligations").

b. *2020 Notes Obligations.* Prior to the Petition Date, pursuant to the 2020 Indenture and the other 2020 Notes Documents, PDSA issued the 2020 Notes to the initial purchasers of the 2020 Notes in the aggregate principal amount of \$750,000,000. Each of the 2020 Notes Guarantors provided an unconditional joint and several guaranty of the 2020 Notes Obligations (as defined below) arising under the 2020 Notes Documents. As of the Petition Date, the 2020 Notes Obligors were truly and justly indebted to the 2020 Notes Secured Parties pursuant to the 2020 Notes Documents, without defense, counterclaim or offset of any kind, in the aggregate principal amount of not less than (i) \$750,000,000 of outstanding principal under the 2020 Notes plus (ii) accrued and unpaid interest with respect thereto, fees, costs and expenses (including any attorneys', financial advisors', and other professionals' fees and expenses) that are chargeable or reimbursable under the 2020 Notes Documents, and all other

obligations under the 2020 Notes Documents (collectively, the “2020 Notes Obligations”).

c. *Term Loan Obligations.* Prior to the Petition Date, pursuant to the Term Loan Agreement and the other Term Loan Documents, the Term Loan Lenders made available to PDSA, as borrower, the Term Loan B Credit Facility in the principal amount of \$750,000,000. Each of the Term Loan Guarantors provided an unconditional joint and several guaranty of the Term Loan Obligations (as defined below) arising under the Term Loan Documents. As of the Petition Date, the Term Loan Obligor was truly and justly indebted to the Term Loan Secured Parties pursuant to the Term Loan Documents, without defense, counterclaim or offset of any kind, in the aggregate principal amount of not less than (i) \$718,125,000 outstanding under the Term Loan B Credit Facility, plus (ii) accrued and unpaid interest with respect thereto, fees, costs and expenses (including any attorneys’, financial advisors’, and other professionals’ fees and expenses) that are chargeable or reimbursable under the Term Loan Documents, and all other obligations under the Term Loan Documents (collectively, the “Term Loan Obligations”).

d. *Senior Secured Credit Facility Obligations.* Prior to the Petition Date, pursuant to the Senior Secured Credit Facility Agreement and the other SSCF Documents, the SSCF Lenders made available to Pacific Sharay S.à r.l. and Pacific Drilling VII Limited, as borrowers, the Senior Secured Credit Facility in the principal amount of up to \$1,000,000,000. The SSCF Guarantor provided an unconditional guaranty of the SSCF Obligations (as defined below)

arising under the SSCF Documents. As of the Petition Date, the SSCF Obligors were truly and justly indebted to the SSCF Secured Parties pursuant to the SSCF Documents, without defense, counterclaim or offset of any kind, in the aggregate principal amount of not less than (i) \$661,478,000 outstanding under the Senior Secured Credit Facility, plus (ii) accrued and unpaid interest with respect thereto, fees, costs and expenses (including any attorneys', financial advisors', and other professionals' fees and expenses) that are chargeable or reimbursable under the SSCF Documents, and all other obligations under the SSCF Documents (collectively, the "SSCF Obligations").

e. *2017 Notes Obligations.* Prior to the Petition Date, pursuant to the 2017 Indenture and the other 2017 Notes Documents, PDV issued notes (the "2017 Notes") to the 2017 Noteholders in the aggregate principal amount of \$500,000,000. PDSA, as 2017 Notes Guarantor, provided an unconditional guaranty of the 2017 Notes Obligations (as defined below) arising under the 2017 Notes Documents. As of the Petition Date, the 2017 Notes Obligors were truly and justly indebted to the 2017 Notes Secured Parties pursuant to the 2017 Notes Documents, without defense, counterclaim, offset, claim or cause of action of any kind, in the aggregate principal amount of not less than (i) \$439,364,000 of outstanding principal under the 2017 Notes plus (ii) accrued and unpaid interest with respect thereto, fees, costs and expenses (including any attorneys', financial advisors', and other professionals' fees and expenses that are chargeable or reimbursable under the 2017 Notes Documents), and all other obligations under the 2017 Notes Documents (collectively, the "2017



Notes Obligations” and, collectively with the RCF Obligations, the 2020 Notes Obligations, the Term Loan Obligations and the SSCF Obligations, the “Prepetition Secured Obligations”).

f. *Prepetition Shared Collateral Intercreditor Agreement.*

The obligations of each Debtor party to the Intercreditor Agreement, dated as of June 3, 2013, by and among the RCF Agent, Term Loan Agent, 2020 Notes Trustee, Citibank, N.A., as pari passu collateral agent (the “Prepetition Shared Collateral Agent”), PDSA and each grantor signatory thereto or who executed a joinder to same (as amended restated, supplement or otherwise modified from time to time, the “Prepetition Shared Collateral Intercreditor Agreement”), constitute the legal, valid, binding, fully enforceable and non-avoidable obligations of such Debtor. The subordination provisions of the Prepetition Shared Collateral Intercreditor Agreement are enforceable.

ii. Validity of Prepetition Secured Obligations and Prepetition Loan Documents. The Prepetition Secured Obligations constitute legal, valid, binding, fully enforceable and non-avoidable obligations of the RCF Obligors, the 2020 Notes Obligors, the Term Loan Obligors, the SSCF Obligors, and the 2017 Notes Obligors, as applicable (collectively, the “Obligors”). No offsets, defenses, or counterclaims to, or claims or causes of action that could reduce the amount or ranking of, the Prepetition Secured Obligations exist. No portion of the Prepetition Secured Obligations is subject to set-off, avoidance, disallowance, recharacterization, reduction, subordination (whether equitable, contractual, or otherwise, and except as set forth in this Interim Order or the Prepetition Shared Collateral Intercreditor Agreement), counterclaims, recoupment,

cross-claims, defenses or any other challenges under or pursuant to the Bankruptcy Code or any other applicable domestic or foreign law or regulation by any person or entity.

The RCF Documents, the 2020 Notes Documents, the Term Loan Documents, the SSCF Documents, and the 2017 Notes Documents (collectively, the “Prepetition Loan Documents”) are valid, binding and enforceable by each of the Prepetition Secured Parties, as applicable, for the benefit of the Prepetition Secured Parties against each of the applicable Obligors. The Prepetition Secured Obligations constitute allowed claims against the applicable Obligors’ estates. As of the Petition Date, no claim of or cause of action held by the Debtors or their estates of any kind exists against any of the Prepetition Secured Parties or their agents, in such capacities, whether arising under applicable state, federal, or foreign law (including, without limitation, any recharacterization, subordination, avoidance, or other claims arising under or pursuant to sections 105, 510, or 542 through 553 of the Bankruptcy Code), or whether arising under or in connection with any of the Prepetition Loan Documents (or the transactions contemplated thereunder), the Prepetition Secured Obligations, or the Prepetition Liens (as defined below).

iii. Description of Prepetition Liens and Prepetition Collateral.

a. Pursuant to and as more particularly described in the RCF Documents, the RCF Obligations are secured by, among other things, first priority liens or mortgages on, security interests in, and assignments, charges, or pledges of (the “RCF Prepetition Liens”), certain property, including, without limitation, certain cash collateral as defined in section 363 of the Bankruptcy Code (the “RCF Cash Collateral”), vessels owned by the RCF Obligors, and other

“Collateral” as such term is defined in the Revolving Credit Agreement (collectively, the “RCF Prepetition Collateral”) and have a “first out” priority under the Prepetition Shared Collateral Intercreditor Agreement, ahead of both the 2020 Notes Obligations and the Term Loan Obligations.

b. Pursuant to and as more particularly described in the 2020 Notes Documents, the 2020 Notes Obligations are secured by first priority liens or mortgages on, security interests in, and assignments, charges, or pledges of (the “2020 Notes Prepetition Liens,” certain property, including, without limitation, certain cash collateral as defined in section 363 of the Bankruptcy Code (the “2020 Notes Cash Collateral”), vessels owned by the 2020 Notes Obligors, and other “Collateral” as such term is defined in the 2020 Indenture (collectively, the “2020 Notes Prepetition Collateral”).

c. Pursuant to and as more particularly described in the Term Loan Documents, the Term Loan Obligations are secured by, among other things, first priority liens or mortgages on, security interests in, and assignments, charges, or pledges of (the “Term Loan Prepetition Liens”), certain property, including, without limitation, certain cash collateral as defined in section 363 of the Bankruptcy Code (the “Term Loan Cash Collateral”), vessels owned by the Term Loan Obligors, and other “Collateral” as such term is defined in the Term Loan Agreement (collectively, the “Term Loan Prepetition Collateral” and, collectively with the RCF Prepetition Collateral and the 2020 Notes Prepetition Collateral, the “Prepetition Shared Collateral”).

d. Pursuant to and as more particularly described in the SSCF Documents, the SSCF Obligations are secured by, among other things, first priority liens or mortgages on, security interests in, and assignments, charges, or pledges of (the “SSCF Prepetition Liens”), certain property, including, without limitation, certain cash collateral as defined in section 363 of the Bankruptcy Code (the “SSCF Cash Collateral”), vessels owned by the SSCF Obligors, and other “Collateral,” as such term is defined in the Senior Secured Credit Facility Agreement, of the SSCF Obligors, Pacific Drilling Operations, Inc., and Pacific Drilling (Gibraltar) Limited (collectively, the “SSCF Prepetition Collateral”).

e. Pursuant to and as more particularly described in the 2017 Notes Documents, the 2017 Notes Obligations are secured by first priority liens or mortgages on, security interests in, and assignments, charges, or pledges of (the “2017 Notes Prepetition Liens,” and collectively with the RCF Prepetition Liens, the 2020 Notes Prepetition Liens, the Term Loan Prepetition Loans, and the SSCF Prepetition Liens, the “Prepetition Liens”), certain property described in the 2017 Notes Documents, including, without limitation, certain cash collateral as defined in section 363 of the Bankruptcy Code (the “2017 Notes Cash Collateral,” and collectively with the RCF Cash Collateral, the 2020 Notes Cash Collateral, the 2020 Notes Cash Collateral, the Term Loan Cash Collateral and the SSCF Cash Collateral, the “Cash Collateral”) and vessels owned by the 2017 Notes Obligors (collectively, the “2017 Notes Prepetition Collateral,” and collectively with the RCF Prepetition Collateral, the 2020 Notes Prepetition Collateral, the Term Loan

Prepetition Collateral, and the SSCF Prepetition Collateral, the “Prepetition Collateral”).

iv. Validity and Perfection of Prepetition Liens. The Prepetition Liens are (a) (i) valid, binding, perfected and enforceable liens on and security interests in the applicable Prepetition Collateral; and (ii) not subject to, pursuant to the Bankruptcy Code or other applicable law (foreign or domestic), avoidance, disallowance, reduction, recharacterization, recovery, subordination (whether equitable, contractual, or otherwise), attachment, offset, counterclaim, defense, “claim” (as defined in the Bankruptcy Code), impairment, right of recoupment, disgorgement or counterclaim, or any other challenge of any kind by any person or entity; and (b) subject to any valid and enforceable liens and encumbrances with respect to the Prepetition Collateral that were permitted under the Prepetition Loan Documents and, as of the Petition Date, are (i) senior to the applicable Prepetition Secured Parties’ liens, (ii) valid, perfected, enforceable and non-avoidable and (iii) not subject to avoidance, reduction, disallowance, disgorgement, counterclaim, surcharge, or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law. Each Debtor irrevocably waives, for itself and its estate, any right to challenge or contest in any way the perfection, validation and enforceability of the Prepetition Liens or the validity or enforceability of the Prepetition Secured Obligations and the Prepetition Loan Documents. The Prepetition Liens were granted to the respective Prepetition Secured Parties for fair consideration and reasonably equivalent value, and were granted contemporaneously with the making of loans, commitments, and/or other financial accommodations under the Prepetition Loan Documents.

v. No Liability to Third Parties. None of the Prepetition Secured Parties (i) have liability to any third party or be deemed to be in control of the operation of any of the Debtors or to be acting as a “controlling person,” “responsible person,” “owner or operator,” or “participant” with respect to the operation or management of any of the Debtors (as such term, or any similar terms, are used in the Internal Revenue Code, the United States Comprehensive Environmental Response, Compensation and Liability Act, as amended, or any other Federal, state, or applicable international statute or regulation) or (ii) owe any fiduciary duty to any of the Debtors, their creditors or estates, or shall constitute or be deemed to constitute a joint venture or partnership with any of the Debtors.

vi. Releases by Debtors. Subject to the entry of the Final Order, each of the Debtors and the Debtors’ estates, on its own behalf and on behalf of its past, present and future predecessors, successors, heirs, subsidiaries, and assigns shall to the maximum extent permitted by applicable law, unconditionally, irrevocably and fully forever release, remise, acquit, relinquish, irrevocably waive and discharge each of the Prepetition Secured Parties, in such capacities, that consents, or does not object, to the entry of this Interim Order and the Final Order (the “Consenting Prepetition Secured Parties”), and each of their respective former, current, or future officers, employees, directors, agents, representatives, owners, members, partners, financial advisors, legal advisors, shareholders, managers, consultants, accountants, attorneys, affiliates, and predecessors in interest of and from any and all claims, demands, liabilities, responsibilities, disputes, remedies, causes of action, indebtedness and obligations, rights, assertions, allegations, actions, suits, controversies, proceedings, losses, damages,

injuries, attorneys' fees, costs, expenses, or judgments of every type, whether known, unknown, asserted, unasserted, suspected, unsuspected, accrued, unaccrued, fixed, contingent, pending, or threatened including, without limitation, all legal and equitable theories of recovery, arising under common law, statute or regulation or by contract, of every nature and description that exist on the date hereof directly or indirectly arising from, relating in any way to, or connected with any of the Prepetition Loan Documents or the obligations thereunder, or the transactions contemplated under such documents, including, without limitation, (i) any so-called "lender liability" or equitable subordination claims or defenses, (ii) any and all claims and causes of action arising under the Bankruptcy Code, and (iii) any and all claims and causes of action regarding the validity, priority, perfection or avoidability of the liens or claims of the Consenting Prepetition Secured Parties. The Debtors' acknowledgments, stipulations, waivers, and releases shall be binding on the Debtors and their respective representatives, successors and assigns and, subject to any action timely commenced before the Investigation Termination Date (as defined below), on each of the Debtors' estates and all entities and persons, including any creditors of the Debtors, and each of their respective representatives, successors and assigns, including, without limitation, any trustee or other representative appointed in these Chapter 11 Cases, whether such trustee or representative is appointed under chapter 11 or chapter 7 of the Bankruptcy Code.

vii. Indemnification. The Consenting Prepetition Secured Parties have acted in good faith, and without negligence or violation of public policy or law, in respect of all actions taken by any of them in connection with or related in any way to negotiating, implementing, documenting or obtaining requisite approvals of the use of

Cash Collateral, including in respect of the granting of the Adequate Protection Liens (as defined below), the use of Cash Collateral under this Interim Order, and all documents related to and all transactions contemplated by the foregoing. Accordingly, the Consenting Prepetition Secured Parties shall be and hereby are indemnified and held harmless by the Debtors in respect of any claim or liability incurred in respect thereof or in any way related thereto; provided that no such party will be indemnified for any cost, expense or liability to the extent determined in a final, non-appealable judgment of a court of competent jurisdiction to have resulted primarily from such party's bad faith, gross negligence, or willful misconduct.

B. Necessity of Relief Requested. The Debtors require the use of Cash Collateral to continue to use the Cash Management System to operate their business in the ordinary course with sufficient liquidity. The relief requested in the Motion is, therefore, necessary and appropriate for the continued operation of the Debtors' business, and the management and preservation of their estates. The entry of this Interim Order is in the best interests of the Debtors, their estates and their creditors.

C. Sufficiency of Adequate Protection. Under the circumstances, for purposes of this Interim Order, the adequate protection provided herein is reasonable and sufficient to protect the interests of the Prepetition Lenders in the Prepetition Collateral (including Cash Collateral) in accordance with sections 361, 362, and 363 of the Bankruptcy Code.

D. Good Cause Shown; Best Interest. The Debtors have requested immediate entry of this Interim Order pursuant to Bankruptcy Rule 4001(b)(2) and Local Rule 4001-2. Absent entry of this Interim Order, the Debtors' businesses, properties, and estates will be



immediately and irreparably harmed. This Court concludes that good cause has been shown and entry of this Interim Order is in the best interests of the Debtors' respective estates and creditors as its implementation will, among other things, allow for the continued operation of the Debtors' existing businesses and enhance the Debtors' prospects for a successful reorganization.

E. Notice. The Interim Hearing is being held pursuant to the authorization of Bankruptcy Rule 4001 and S.D.N.Y. Local Bankruptcy Rule 4001-2. Notice of the Interim Hearing and the emergency relief requested in the Motion has been provided to (a) the Office of the United States Trustee for the Southern District of New York; (b) counsel to each of the agents of the Debtors' prepetition secured lenders; (c) counsel to each of the indenture trustees and the ad hoc group of the Debtors' prepetition bondholders; (d) the Internal Revenue Service; (e) the Securities and Exchange Commission; (f) the parties identified on the Debtors' consolidated list of 30 largest unsecured creditors; and (g) any such other party entitled to notice pursuant to Local Rule 9013-1(b). Under the circumstances, such notice of the Motion, the relief requested therein and the Interim Hearing complies with Bankruptcy Rules 4001(b), (c), and (d), and the Local Rules.

F. Final Hearing. Notice of the Final Hearing to consider the Motion will be provided by the Debtors to the Notice Parties as soon as practicable following entry of this Interim Order.

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED on an interim basis as set forth herein.
2. Objections Overruled. All objections to the granting of the interim relief requested in the Motion are hereby overruled, to the extent not withdrawn or resolved.
3. Authorization to Use Cash Collateral. The Debtors are hereby authorized to use Cash Collateral for the period from the Petition Date through the date on which the Final

Order is entered, unless otherwise ordered by this Court. This authorization includes using Cash Collateral to (a) continue their operations, pay for corporate needs and the costs of administering these chapter 11 cases and provide funding to their subsidiaries (whether Debtors or non-Debtors) consistent with the practices and limitations described in the Cash Management Motion, (b) make adequate protection payments as contemplated by this Interim Order and (c) pay certain prepetition obligations as further described in the Debtors' "first day" motions filed concurrently herewith and as authorized pursuant to the "first day" orders granting such motions.

4. Termination Events. Notwithstanding anything contained herein, unless otherwise agreed by the Debtors and each of the Prepetition Agents, the authority for use of Cash Collateral under this Interim Order shall terminate upon the earlier to occur of (each of the following, a "Termination Event"): (i) 11:59 p.m. on the forty-fifth day after the Petition Date, to the extent the Final Order has not been approved by this Court by such date; (ii) the date this Interim Order ceases to be in full force and effect for any reason to the extent the Final Order has not been entered at such time; (iii) the date the Court enters an order dismissing any of the Chapter 11 Cases; (iv) the date the Court enters an order converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code; and (v) this Court shall have entered an order reversing, amending, supplementing, vacating, or otherwise modifying this Interim Order without the consent of each of the Prepetition Agents.

5. Adequate Protection. As adequate protection against any diminution in value of the Prepetition Lenders interests in the Prepetition Collateral, including Cash Collateral, each of the Prepetition Secured Parties is hereby granted the following, in each case subject and subordinate to the Carve-Out:

a. Adequate Protection Liens. To secure any Superpriority Adequate Protection Claim (defined below) against any Debtor or payment of any amount due by any Debtor under this Interim Order, valid, binding, enforceable and perfected security interests in and liens upon (the “Adequate Protection Liens”) all property, whether now owned or hereafter acquired or existing and wherever located, of any such Debtor and the other Debtors in such Debtor’s Ship Group, and their respective “estates” (as created pursuant to section 541(a) of the Bankruptcy Code), of any kind or nature whatsoever, real or personal, tangible or intangible, including, without limitation, all cash, accounts, inventory, goods, contract rights, instruments, documents, chattel paper, patents, trademarks, copyrights, and licenses therefor, accounts receivable, receivables and receivables records, general intangibles, payment intangibles, tax or other refunds, insurance proceeds, letters of credit, contracts, owned real estate, real property leaseholds, vessels, charter-hire receipts, earnings, insurance policies and proceeds, fixtures, deposit accounts, commercial tort claims, securities accounts, instruments, investment property, letter-of-credit rights, supporting obligations, machinery and equipment, real property, leases (and proceeds from the disposition thereof), including equity interests in subsidiaries and non-wholly-owned subsidiaries, money, investment property, and causes of action (other than causes of action arising under sections 502(d), 544, 545, 547, 548, 550 (unless related to an action under 549), 551 (unless related to an action under 549), or 553 of the Bankruptcy Code (the “Avoidance Actions”)) and, subject to entry of the Final Order, the proceeds of Avoidance Actions, Cash Collateral, and all other cash and non-cash proceeds, rents, products, substitutions, accessions, and profits of any of the collateral described above, whether in existence on the Petition Date

or thereafter created, acquired, or arising and wherever located (all such property, other than the Prepetition Collateral in existence immediately prior to the Petition Date and proceeds, rents, products, profits, and offspring of such Prepetition Collateral, being collectively referred to as, the “Postpetition Collateral,” and together with the Prepetition Collateral, the “Collateral”) without the necessity of the execution of mortgages, security agreements, pledge agreements, financing statements, or other agreements;

b. Superpriority Claims. To the extent and in an amount equal to any diminution in value of such Prepetition Lender’s interests, if any, in the Prepetition Collateral, including Cash Collateral, of a Debtor, from and after the Petition Date resulting from the imposition and enforcement of the automatic stay and such Debtor’s use of such Prepetition Collateral (including for the avoidance of doubt any diminution in value resulting from the Carve-Out), an allowed superpriority administrative expense claim against such Debtor and each other Debtor in such Debtor’s Ship Group, jointly and severally, pursuant to sections 503(b), 507(a) and 507(b) of the Bankruptcy Code as provided for in section 507(b) of the Bankruptcy Code (a “Superpriority Adequate Protection Claim”). Subject and subordinate to the Carve-Out, (i) any Superpriority Adequate Protection Claim shall be an allowed claim against the Debtors in the applicable Ship Group, jointly and severally, with priority over any and all administrative expenses and all other claims against such Debtors now existing or hereafter arising, of any kind whatsoever, including, without limitation, all other administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code and over any and all other administrative expenses or other claims arising under any other provision of the Bankruptcy Code, including, without limitation, sections 105, 326, 327, 328, 330,

331, 503(b), 507(a), 507(b), or 1114 of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other nonconsensual lien, levy or attachment , (ii) subject to the Final Order, the Superpriority Adequate Protection Claims shall be payable from and have recourse to the proceeds of the Avoidance Actions and (iii) the allowed Superpriority Adequate Protection Claims shall be payable from and have recourse to all unencumbered pre- and post-petition property of the applicable Debtor (subject to the foregoing sentence). No cost or expense of administration under sections 105, 503 or 507 of the Bankruptcy Code or otherwise, including any such cost or expense resulting from or arising after the conversion of the any of the Chapter 11 Cases under section 1112 of the Bankruptcy Code, shall be senior to, or *pari passu* with, the Superpriority Adequate Protection Claims;

c. Fees and Expenses. Fourteen (14) days following receipt by the Debtors and the United States Trustee of summary form invoices therefor, the Debtors shall pay, without further order of, or application to, this Court or notice to any other party, of all outstanding prepetition and all postpetition reasonable and documented fees and expenses incurred by the Prepetition Agents, including, without limitation,<sup>3</sup>

i. the fees and expenses incurred by (a) Shearman & Sterling LLP, as counsel to the RCF Agent, (b) White & Case LLP, as counsel to the ad hoc group of RCF Lenders, (c) PJT Partners LP, as financial advisor to the RCF

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<sup>3</sup> For the avoidance of doubt, none of the fees and expenses payable pursuant to this paragraph shall be subject to the United States Trustee guidelines. Invoices for such fees and expenses may be redacted to delete any information subject to the attorney-client privilege, any information constituting attorney work product or any other confidential information, and the providing of such invoices shall not constitute any waiver of the attorney-client privilege or any benefits of the attorney work product doctrine. To the extent any party has an objection to the fees and expenses requested, they shall so advise applicable Prepetition Agents and Ad Hoc Group Advisors. If any such objection is raised and not resolved and/or withdrawn, the parties shall submit any dispute to this Court for adjudication. The fees and expenses payable pursuant to this paragraph are payable in full, in cash, and are not subject to the Approved Budget.

Agent, in accordance with its engagement letter agreed by the Debtors, and (d) any other local, maritime, or foreign counsel retained by the RCF Agent or the ad hoc group of RCF Lenders whose services are discrete and not duplicative of the services of any other counsel of the RCF Agent or the ad hoc group of RCF Lenders;

ii. the fees and expenses incurred by (a) Milbank Tweed, Hadley & McCloy LLP, as counsel to the SSCF Agent, (b) Moelis & Company LLC, as financial advisor to the SSCF Agent, in accordance with its engagement letter agreed by the Debtors, and (c) any other local, maritime, or foreign counsel (including Norwegian counsel) retained by the SSCF Agent whose services are discrete and not duplicative of the services of any other counsel of the SSCF Agent;

iii. the fees and expenses incurred by (a) Paul, Weiss, Rifkind, Wharton & Garrison LLP, as counsel to the ad hoc group of bondholders (the “Ad Hoc Group”), (b) Houlihan Lokey, as financial advisor to the Ad Hoc Group, in accordance with its prepetition engagement letter, and (c) any other local, maritime, or foreign counsel retained by the ad hoc group of bondholders whose services are discrete and not duplicative of the services of any other counsel of the Ad Hoc Group (collectively, the “Ad Hoc Group Advisors”); provided that, for the avoidance of doubt, any fees and expenses paid pursuant to this paragraph 5.c.iii shall not be subject to any payment priority or turnover provisions set for in the Prepetition Shared Collateral Intercreditor Agreement, including Sections 2.3 and 2.5 thereof.

iv. the fees and expenses incurred by (a) Moses & Singer LLP, as counsel to the 2020 Indenture Trustee, and (b) any other local, maritime, or foreign counsel retained by the 2020 Indenture Trustee whose services are discrete and not duplicative of the services of any other counsel of the 2020 Indenture Trustee or the Ad Hoc Group Advisors; provided that, for the avoidance of doubt, any fees and expenses paid pursuant to this paragraph 5.c.iv shall not be subject to any payment priority or turnover provisions set for in the Prepetition Shared Collateral Intercreditor Agreement, including Sections 2.3 and 2.5 thereof;

v. the fees and expenses incurred by (a) lead counsel to the Term Loan Agent, and (b) any other local, maritime, or foreign counsel retained by the Term Loan Agent whose services are discrete and not duplicative of the services of any other counsel of the Term Loan Agent or the Ad Hoc Group Advisors; and

vi. the fees and expenses incurred by (a) Moses & Singer LLP, as counsel to the 2017 Indenture Trustee, and (b) any other local, maritime, or foreign counsel retained by the 2017 Indenture Trustee whose services are discrete and not duplicative of the services of any other counsel of the 2017 Indenture Trustee or the Ad Hoc Group Advisors;

d. Interest.

i. Revolving Credit Facility. The RCF Agent (on behalf of the RCF Secured Parties) shall receive from the Debtors (a) adequate protection payments made in cash consisting of all accrued and unpaid prepetition interest as well as current post-petition payments of interest in each case at the contractual

non-default rate set forth in the RCF Documents (the foregoing to include all unpaid prepetition interest), as and when such interest becomes due and payable (in the absence of any default) in accordance with the terms of the RCF Documents; and (b) upon entry of this Interim Order, all other due and unpaid fees, costs and disbursements (other than legal and advisory fees and expenses, which shall be paid in accordance with this Paragraph 5 of this Interim Order). For the avoidance of doubt, the payment of interest pursuant to this paragraph shall be without prejudice to the rights of the RCF Secured Parties to assert claims for payment of additional interest at any other rates in accordance with the RCF Documents and/or to request current payment of interest accrued at the default rate.

ii. Senior Secured Credit Facility. The SSCF Agent (on behalf of the SSCF Secured Parties) shall receive from the Debtors (a) adequate protection payments made in cash consisting of all accrued and unpaid prepetition interest as well as current post-petition payments of interest in each case at the contractual non-default rate set forth in the SSCF Documents (the foregoing to include all unpaid prepetition interest), as and when such interest becomes due and payable (in the absence of any default) in accordance with the terms of the SSCF Documents; and (b) upon entry of this Interim Order, all other due and unpaid fees, costs and disbursements (other than legal and advisory fees and expenses, which shall be paid in accordance with this Paragraph 5 of this Interim Order). For the avoidance of doubt, the payment of interest pursuant to this paragraph shall be without prejudice to the rights of the SSCF Secured Parties to



assert claims for payment of additional interest at any other rates in accordance with the SSCF Documents and/or to request current payment of interest accrued at the default rate;<sup>4</sup>

e. Insurance on Assets. The Debtors shall provide continued maintenance of and appropriate insurance on the Debtors' assets (including the vessels), in the amounts consistent with the Debtors' prepetition practices and as set forth in the applicable Prepetition Loan Documents;

f. Books and Records. The Debtors shall permit representatives, agents and employees of the Prepetition Agents to examine the Debtors' books and records;

g. Entry Into or Termination of Charters. The Debtors shall not (a) enter into any charters with a term greater than one year with respect to any drillship (or extend or agree to extend the term of any such charter beyond one year) or (b) terminate, reject or reassign the Offshore Drilling Contract, by and between Chevron U.S.A. Inc., through its division, Chevron North America Exploration and Production Company, and Pacific Drilling Operations, Inc., dated June 15, 2012, in each case without Court approval after notice to the Prepetition Agents of the applicable Ship Group; and

h. Reporting. On or before December 8, 2017 and no later than the first Friday of each calendar month thereafter, the Debtors shall provide updated 13-week cash flow projections to the Prepetition Agents, which shall include the projected cash balance at the Pool Leader at the end of the applicable 13-week period. The Debtors also

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<sup>4</sup> For the avoidance of doubt, the interest payments referenced in this Paragraph 5.d.ii shall include, without limitation, the Fifth Amendment GIEK Premium, and the Fifth Amendment Commercial Premium (each, as defined in the SSCF Documents), whether such payments are owed for the account of the SSCF Lenders or GIEK.

shall provide the Prepetition Agents on a weekly basis a report of (a) weekly and cumulative variances between actual and projected expenditures and (b) the cash balance at the Pool Leader at the time of such report. The Debtors shall make themselves reasonably available to the Prepetition Agents to answer questions with respect to the 13-week cash flow projections and such weekly reports.

6. Carve-Out: The “Carve-Out” shall mean, with respect to each Debtor, (i) any fees payable by such Debtor to the Clerk of the Bankruptcy Court or to the Office of the United States Trustee pursuant to section 1930(a) of title 28 of the United States Code, and any interest on such fees payable pursuant to section 3717 of title 31 of the United States Code; (ii) the reasonable fees and expenses up to \$50,000 in the aggregate for all Debtors incurred by a trustee appointed in these cases under section 726(b) of the Bankruptcy Code; (iii) solely with respect to Debtors other than the Drillship Subsidiaries, all accrued and unpaid reasonable fees, disbursements, costs, and expenses (the “Professional Fees”) incurred by such Debtor with respect to (A) professionals or professional firms retained by the Debtors pursuant to sections 327, 328, or 363 of the Bankruptcy Code, (B) professionals or professional firms retained by any statutory committee appointed in these chapter 11 cases pursuant to section 1103 of the Bankruptcy Code (a “Committee”), or (C) any claims and noticing agent retained in accordance with 28 U.S.C. § 156(c) (collectively, the “Estate Professionals”), which Professional Fees (x) are allowed or approved by the Court at any time and (y) have been incurred (regardless of when invoiced or applied for) at any time on or before the date of the termination of the Debtors’ right to use the Cash Collateral pursuant to this Interim Order (the “Termination Date”); (iv) solely with respect to Debtors other than the Drillship Subsidiaries, the Professional Fees of the Estate Professionals incurred after the Termination Date and allowed or approved by the

Court, in an aggregate amount not exceeding \$500,000 in the aggregate for all Debtors; and (v) subject to paragraph 8 of this Interim Order, any recovery from Prepetition Collateral or Postpetition Collateral approved by this Court after notice and hearing as a permissible recovery under section 506(c) of the Bankruptcy Code.

7. 506(c) Waiver. Subject to the entry of a Final Order, except as provided in this Interim Order, no costs or expenses of administration which have been or may be incurred in any of the Chapter 11 Cases at any time shall be charged against any Prepetition Secured Party, any of the Prepetition Secured Obligations, any of their respective claims, or the Collateral pursuant to sections 506(c) or 105(a) of the Bankruptcy Code, or otherwise, without the prior written consent of the affected Prepetition Agent, and no such consent shall be implied from any other action, inaction, or acquiescence by any of the Prepetition Secured Parties or their respective representatives; provided, the Debtors may surcharge Ship Group A Collateral or Ship Group C Collateral pursuant to section 506(c) of the Bankruptcy Code (a) as approved by this Court upon a motion after notice and hearing and (b) with respect to the costs and expenses of upgrading, repairing or maintaining drillships that do not exceed in the aggregate \$25.0 million with respect to Ship Group A Collateral and \$7.5 million with respect to Ship Group C Collateral; provided, further that all rights of the Prepetition Secured Parties to oppose any such motion are fully preserved.

8. Effect of Stipulations on Third Parties. The stipulations and admissions contained in this Interim Order, including, without limitation, in paragraph A of this Interim Order, shall be binding upon the Debtors and their affiliates and any of their respective successors (including, without limitation, any chapter 7 or chapter 11 trustee appointed or elected for any Debtor) in all circumstances. The stipulations, releases, waivers, and admissions

contained in this Interim Order, including, without limitation, in paragraph A of this Interim Order, shall be binding upon all other parties in interest, including, without limitation, any Committee and any other person or entity acting (or purporting to act) on behalf of the Debtors' estate, unless and except to the extent that, (i) upon three days' prior written notice to the Debtors and the Prepetition Agents, a party in interest with proper standing granted by order of the Court (or another court of competent jurisdiction) has timely filed an adversary proceeding or contested matter (subject to the limitations contained herein, including, *inter alia*, in paragraph 10) by no later than the date that is 60 days from the entry of the Final Order or such later date as has been agreed to, in writing, by the applicable Prepetition Agent, in its sole discretion (the "Investigation Termination Date"), (A) challenging the validity, enforceability, priority or extent of the Prepetition Secured Obligations or (B) otherwise asserting or prosecuting any action for preferences, fraudulent transfers or conveyances, other avoidance power claims or any other claims, counterclaims or causes of action, objections, contests or defenses to the extent released by the Debtors under paragraph A of this Interim Order (collectively, "Claims and Defenses") against any of the Prepetition Secured Parties or their affiliates, representatives, attorneys or advisors in connection with matters related to the Prepetition Loan Documents or the Prepetition Collateral, and (ii) such challenge or claim in any such timely filed adversary proceeding or contested matter has (A) with respect to the plaintiff, not been dismissed or overruled and (B) with respect to other parties-in-interest, been sustained in a final order; provided that any challenge or claim shall set forth with specificity the basis for such challenge or claim and any challenges or claims not so specified prior to the expiration of the Investigation Termination Date shall be forever deemed waived, released and barred. If no such adversary proceeding or contested matter is timely filed, (x) the Prepetition Secured Obligations shall constitute allowed

claims, not subject to counterclaim, setoff, recoupment, reduction, subordination, recharacterization, defense or avoidance, for all purposes in the Chapter 11 Cases and any subsequent chapter 7 case, (y) the liens and security interests securing the Prepetition Secured Obligations shall be deemed to have been, as of the Petition Date, legal, valid, binding and perfected, not subject to recharacterization, subordination or avoidance, and (z) the Prepetition Secured Obligations, the liens and security interests securing the Prepetition Secured Obligations, and the Prepetition Secured Parties shall not be subject to any other or further challenge by any party in interest seeking to exercise the rights of any Debtor's estate, including, without limitation any successor thereto (including, without limitation, any chapter 7 or 11 trustee appointed or elected for the Debtor). If any such adversary proceeding or contested matter is timely filed, the stipulations and admissions contained in paragraph A of this Interim Order shall nonetheless remain binding and preclusive (as provided in the second sentence of this paragraph) on any Committee and on any other person or entity, except to the extent that such findings and admissions were expressly challenged in such adversary proceeding or contested matter prior to the Investigation Termination Date. Nothing in this Interim Order vests or confers on any "person" (as defined in the Bankruptcy Code), including any Committee, standing or authority to bring, pursue, or settle any cause of action belonging to the Debtors or their estates, including, without limitation, Claims and Defenses with respect to the Prepetition Loan Documents or the Prepetition Secured Obligations, and an order of the Court conferring such standing on the Committee or other party-in-interest shall be a prerequisite for the prosecution of Claims and Defenses by the Committee or such other party-in-interest.

9. Use of Proceeds of Prepetition Collateral. No proceeds of the Prepetition Collateral shall be used for the purpose of: (a) investigating, objecting to, challenging or

contesting in any manner, or in raising any defenses to, the amount, validity, extent, perfection, priority or enforceability of the Prepetition Secured Obligations, or any liens or security interests with respect thereto, or any other rights or interests of any of the Prepetition Secured Parties, whether in their capacity as such or otherwise, including with respect to the Adequate Protection Liens, or in asserting any claims or causes of action against any of the Prepetition Secured Parties (whether in their capacity as such or otherwise), including, without limitation, for lender liability or pursuant to section 105, 510, 544, 547, 548, 549, 550, or 552 of the Bankruptcy Code, applicable non-bankruptcy law or otherwise (and the Prepetition Secured Parties reserve the right to object to, contest, or otherwise challenge any claim for amounts incurred in connection with such activities on the grounds that such claim shall not be allowed, treated or payable as an administrative expense claim for purposes of section 1129(a)(9)(A) of the Bankruptcy Code); or (b) paying any amount on account of any claims arising before the Petition Date unless such payments are approved by an order of this Court.

10. No Waiver of Prepetition Secured Parties' Rights; Reservation of Rights.

Notwithstanding any provision in this Interim Order to the contrary, this Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, any of the Prepetition Secured Parties' rights with respect to any person or entity other than the Debtors or with respect to any other collateral owned or held by any person or entity other than the Debtors. The rights of the Prepetition Secured Parties are expressly reserved and entry of this Interim Order shall be without prejudice to, and does not constitute a waiver, expressly or implicitly, of:

- a. the Prepetition Secured Parties' rights under any of the Prepetition  
Loan Documents;

- b. the Prepetition Secured Parties' rights to seek any other or supplemental relief in respect of the Debtors;
- c. the Prepetition Secured Parties' rights to seek modification of the grant of adequate protection provided under this Interim Order so as to provide different or additional adequate protection at any time;
- d. any of the Prepetition Secured Parties' rights under the Bankruptcy Code or under non-bankruptcy law including, without limitation, to the right to: (i) request modification of the automatic stay of section 362 of the Bankruptcy Code; (ii) request dismissal of the Chapter 11 Cases, conversion of any of the Chapter 11 Cases to cases under chapter 7, or appointment of a chapter 11 trustee or examiner with extended powers; or (iii) propose, subject to section 1121 of the Bankruptcy Code, a chapter 11 plan or plans;
- e. any of the Prepetition Secured Parties' rights with respect to whether cash constituted or constitutes Prepetition Collateral or the proceeds of Prepetition Collateral in which the Prepetition Secured Parties had or have valid and perfected security interests and/or should be subject to a constructive trust or other equitable trust in favor of the Prepetition Secured Parties;
- f. any of the Prepetition Secured Parties' right to credit bid up to the full amount of any remaining Prepetition Secured Obligations in the sale of any Prepetition Collateral or pursuant to, and subject to the terms of the Prepetition Shared Collateral Intercreditor Agreement, (i) section 363 of the Bankruptcy Code, (ii) a plan of reorganization or a plan of liquidation under section 1129 of the Bankruptcy Code, or (iii)

a sale or disposition by a chapter 7 trustee for any Debtor under section 725 of the Bankruptcy Code; or

g. any other rights, claims, or privileges (whether legal, equitable, or otherwise) of the Prepetition Secured Parties.

11. Recharacterization. The Debtors reserve their rights to argue that, if any of the Prepetition Secured Obligations are determined by this Court to be undersecured, any payment of fees and expenses and interest permitted hereunder should be recharacterized and re-credited to the principal balance of such Prepetition Secured Obligations pursuant to further order entered by this Court. The Prepetition Secured Parties reserve their rights to assert defenses to any such argument and to otherwise oppose any such recharacterization.

12. Further Relief. Notwithstanding anything to the contrary herein, nothing herein shall limit (i) the Debtors' right to seek authority on a consensual or non-consensual basis, whether before or after a Termination Event, to use Cash Collateral pursuant to further order of this Court or (ii) the Prepetition Secured Parties' rights to object to, challenge, or oppose any such relief.

13. Further Assurances. The Debtors shall execute and deliver to the Prepetition Agents all such agreements, financing statements, instruments, and other documents as they may reasonably request to evidence, confirm, validate, or evidence the perfection of the Adequate Protection Liens granted pursuant hereto.

14. Priority of Adequate Protection Liens. Subject to the Carve-Out, the extent and priority of any Adequate Protection Lien granted to a Prepetition Lender with respect to Postpetition Collateral shall be the same as existed as of the Petition Date with respect to its Prepetition Collateral.



15. Automatic Effectiveness of Liens. The Adequate Protection Liens shall not be subject to challenge and shall attach and become valid, perfected, enforceable, non-avoidable, and effective by operation of law as of the Petition Date, having the priority set forth in paragraph 5 of this Interim Order, without any further action by the Debtors or the Prepetition Secured Parties and without the necessity of execution by the Debtors, or the filing or recordation, of any financing statements, security agreements, vehicle lien applications, mortgages (including ships' mortgages), filings with the U.S. Patent and Trademark Office, the U.S. Copyright Office, or the Library of Congress, or other documents or the taking of any other actions. If any Prepetition Agent hereafter requests that the Debtors execute and deliver to them financing statements, security agreements, collateral assignments, mortgages, or other instruments and documents considered by such agent to be reasonably necessary or desirable to further evidence the perfection of the Adequate Protection Liens, as applicable, the Debtors are hereby directed to execute and deliver such financing statements, security agreements, mortgages, collateral assignments, instruments, and documents, and the Prepetition Agents are hereby authorized to file or record such documents in their discretion without seeking modification of the automatic stay under section 362 of the Bankruptcy Code, in which event all such documents shall be deemed to have been filed or recorded at the time and on the date of entry of this Interim Order.

16. No Marshaling/Application of Proceeds. In no event shall any of the Prepetition Secured Parties be subject to the equitable doctrine of "marshaling" or any other similar doctrine with respect to any of the Collateral.

17. Proofs of Claim. Notwithstanding any order entered by the Court in relation to the establishment of a bar date in the Chapter 11 Cases to the contrary, or otherwise,

the Prepetition Secured Parties shall not be required to file proofs of claim in the Chapter 11 Cases for any claim allowed herein, and the Debtors' stipulations contained in paragraph A herein shall be deemed to constitute a timely filed proof of claim against the applicable Debtors. Notwithstanding the foregoing, each of the Prepetition Agents (on behalf of themselves and the applicable other Prepetition Secured Parties) is hereby authorized and entitled, in its sole discretion, but not required, to file (and amend and/or supplement, as it sees fit) a master proof of claim for any claims of the applicable Prepetition Secured Parties arising from the applicable Prepetition Loan Documents; provided that nothing herein shall waive the right of any Prepetition Secured Party to file its own proofs of claim against the Debtors. The provisions set forth in this paragraph are intended solely for the purpose of administrative convenience and shall not affect the substantive rights of any party-in-interest or their respective successors-in-interest, including, without limitation, the numerosity requirements set forth in section 1126 of the Bankruptcy Code.

18. Arrest or Seizure of Vessels. The automatic stay is hereby modified to the extent necessary to permit the Prepetition Secured Parties to assert their interests in any vessel that becomes subject to any attachment, arrest or seizure proceeding (an "Arrest Proceeding"), including without limitation, to preserve their liens or to exercise their rights to pay and discharge any debts or liabilities that gave rise to the Arrest Proceeding, or to provide bail in such Arrest Proceeding in order to release the vessel from the Arrest Proceeding, in the event that: (i) within seven (7) business days upon receiving notice of such actual or threatened Arrest Proceeding, the Debtors shall have not taken steps to intervene in or stay the Arrest Proceeding and asserted their and the respective Prepetition Secured Parties' rights or interests in the vessel, including, without limitation, to obtain enforcement of a stay in the relevant jurisdiction, or (ii)

the Arrest Proceeding is not lifted within thirty (30) calendar days. The Debtors shall promptly notify, in writing, the Prepetition Secured Parties of any actual or threatened Arrest Proceeding.

19. Credit Bidding. Each Prepetition Agent (subject to obtaining any required consent or direction of the applicable Prepetition Secured Parties), on behalf of the applicable Prepetition Secured Parties, shall have the right to credit bid, pursuant to all of the terms of section 363(k) of the Bankruptcy Code, all of their respective allowed claims in connection with a sale of the Debtors' assets under section 363 of the Bankruptcy Code or under a chapter 11 plan.

20. Good Faith. Each of the Prepetition Secured Parties has acted in good faith (including, without limitation, for the purposes of section 363(m) of the Bankruptcy Code) in connection with this Interim Order and their reliance on this Interim Order has been and is in good faith.

21. Payments Free and Clear. Any and all payments or proceeds remitted to the Prepetition Secured Parties pursuant to the provisions of this Interim Order or any subsequent order of this Court shall be received free and clear of any claim, charge, assessment or other liability.

22. Intercreditor Agreement. Nothing in this Interim Order shall amend or otherwise modify the terms and enforceability of the Prepetition Shared Collateral Intercreditor Agreement, and such agreement shall remain in full force and effect; provided that any payments made pursuant to paragraphs 5.c.iii or 5.c.iv of this Interim Order shall not be subject to any payment priority or turnover provisions of the Prepetition Shared Collateral Intercreditor Agreement, including Sections 2.3 and 2.5 thereof. The rights of the RCF Secured Parties, Term Loan Secured Parties and 2020 Notes Secured Parties (collectively, the "Prepetition Shared

Collateral Secured Parties”) shall at all times remain subject to the Prepetition Shared Collateral Intercreditor Agreement. Notwithstanding anything to the contrary herein or in any other order of this Court, in determining the relative priorities and rights of the Prepetition Shared Collateral Secured Parties (including, without limitation, the relative priorities and rights of the Prepetition Shared Collateral Secured Parties in respect to the adequate protection granted hereunder), such relative priorities and rights shall continue to be governed by the Prepetition Shared Collateral Intercreditor Agreement, the RCF Documents, the 2020 Notes Documents and the Term Loan Documents.

23. Binding Effect. Subject to paragraph 8 of this Interim Order, the provisions of this Interim Order shall be binding upon and inure to the benefit of the Prepetition Secured Parties to the extent and as set forth herein, the Debtors, any Committee, and their respective successors and assigns (including any chapter 7 or chapter 11 trustee hereafter appointed or elected for the estate of any of the Debtors, an examiner appointed pursuant to section 1104 of the Bankruptcy Code or any other fiduciary appointed as a legal representative of any of the Debtors or with respect to the property of the estate of any of the Debtors). To the extent permitted by applicable law, this Interim Order shall bind any trustee hereafter appointed for the estate of any of the 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.

24. Survival. The provisions of this Interim Order and any actions taken pursuant hereto shall survive the entry of any order: (i) confirming any plan of reorganization in any of the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a chapter 7 case, or (iii) dismissing any of the Chapter 11 Cases, and, with respect to the entry of any order as set

forth in clause (ii) or (iii) of this paragraph 23, the terms and provisions of this Interim Order as well as the Adequate Protection Liens and Superpriority Adequate Protection Claims shall continue in full force and effect notwithstanding the entry of any such order.

25. Effect of Dismissal of Chapter 11 Cases. If any of the Chapter 11 Cases is dismissed, converted, or substantively consolidated, such dismissal, conversion, or substantive consolidation of these Chapter 11 Cases shall not affect the rights of the Prepetition Secured Parties under this Interim Order, and all of their rights and remedies thereunder shall remain in full force and effect as if the Chapter 11 Cases had not been dismissed, converted, or substantively consolidated. If an order dismissing any of the Chapter 11 Cases is at any time entered, such order shall provide or be deemed to provide (in accordance with Sections 105 and 349 of the Bankruptcy Code) that: (i) subject to paragraph 8 of this Interim Order, the Prepetition Liens, Adequate Protection Liens, and Superpriority Adequate Protection Claims granted to and conferred upon the Prepetition Secured Parties shall continue in full force and effect and shall maintain their priorities as provided in this Interim Order (and that such Superpriority Adequate Protection Claims shall, notwithstanding such dismissal, remain binding on all interested parties) and (ii) to the greatest extent permitted by applicable law, this Court shall retain jurisdiction, notwithstanding such dismissal, for the purpose of enforcing the Prepetition Liens, Adequate Protection Liens, and Superpriority Adequate Protection Claims referred to in this Interim Order.

26. Controlling Effect of Interim Order. To the extent any provision of this Interim Order conflicts or is inconsistent with any provision of the Motion, any prepetition agreement, the provisions of this Interim Order shall control to the extent of such conflict.

27. Debtors' Reservation of Rights. Except as set forth in this Interim Order, including, without limitation, in paragraph A of this Interim Order, nothing in the Motion or this Interim Order shall constitute an admission or stipulation by the Debtors as to the amount, validity, enforceability or priority of any claim or interest in property, the extent of any security interest in property acquired after the Petition Date, or the existence of any diminution of value of any interest in the Prepetition Collateral after the Petition Date. The Debtors shall provide adequate protection to Prepetition Lenders only to the extent that the Prepetition Lenders' prepetition claims and liens exist, are valid, prior to all others and not subject to defense, offset, avoidance or subordination.

28. Modifications to Adequate Protection. This Interim Order is without prejudice to the rights, at any time of (a) any Debtor to seek approval from the Court, after notice and a hearing, to cease to provide any or all of the adequate protection set forth in this Interim Order and (b) any Prepetition Lender to request additional adequate protection from the Court after notice and hearing, including payment of additional interest at the post-default rate as provided in the RCF Documents or SSCF Documents.

29. No Third Party Rights. Except as explicitly provided for herein, this Interim Order does not create any rights for the benefit of any third party, creditor, equity holder or any direct, indirect, or incidental beneficiary.

30. Final Hearing. The Final Hearing shall be held \_\_\_\_\_, **2017 at \_\_\_\_\_ p.m. (EST)** before this Court. The Debtors shall promptly mail copies of this Interim Order to the Notice Parties, to any statutory committee appointed in these chapter 11 cases after the same has been appointed, or counsel to such committee, if the same shall have been appointed, and to any other party that has filed a request for notices with this Court. Any

objections to the granting of the relief requested in the Motion on a permanent basis must be filed no later than \_\_\_\_\_, **2017 at \_\_\_\_\_ p.m. (EST).**

31. Local Rule 9013-1(b). The requirements set forth in Local Rule 9013-1(b) are satisfied.

32. Order Effective. This Interim Order is immediately effective and enforceable, notwithstanding the possible applicability of Bankruptcy Rule 6004(h) or otherwise.

33. Retention of Jurisdiction. This Court retains jurisdiction with respect to all matters arising from or related to the enforcement of this Interim Order.

Dated: November \_\_\_, 2017  
New York, New York

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United States Bankruptcy Judge

**EXHIBIT B**

**Proposed Final Order**



**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

<hr/>		X
In re	:	Chapter 11
	:	
PACIFIC DRILLING S.A., <i>et al.</i> , <sup>1</sup>	:	Case No. ____-____ (___)
	:	
Debtors.	:	Joint Administration Pending
	:	
<hr/>		X

**FINAL ORDER (A) AUTHORIZING THE USE OF CASH  
COLLATERAL, (B) GRANTING ADEQUATE PROTECTION,  
(C) MODIFYING THE AUTOMATIC STAY, (D) SCHEDULING A  
FINAL HEARING AND (E) GRANTING RELATED RELIEF**

Upon the motion (the “Motion”)<sup>2</sup> of Pacific Drilling S.A., on behalf of itself and certain of its affiliates as debtors and debtors-in-possession in the above-captioned cases (collectively, the “Debtors”), requesting entry of interim (the “Interim Order”) and final (this “Final Order”) orders, pursuant to sections 105(a), 361, 362, 363 and 552(a) of the Bankruptcy Code, (a) authorizing the Debtors’ proposed use of Cash Collateral, (b) granting adequate protection to the Prepetition Secured Parties with respect to Prepetition Collateral, including Cash Collateral, and any diminution thereof, but only to the extent that the Prepetition Secured Parties have an interest therein, (c) modifying the automatic stay imposed by section 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the terms and provisions of the Interim Order and this Final Order and (d) scheduling a final hearing (the “Final Hearing”) to

<sup>1</sup> The Debtors in these chapter 11 cases and, if applicable, the last four digits of their U.S. taxpayer identification numbers are: Pacific Drilling S.A., Pacific Drilling (Gibraltar) Limited, Pacific Drillship (Gibraltar) Limited, Pacific Drilling, Inc. (1524), Pacific Drilling Finance S.à r.l., Pacific Drillship SARL, Pacific Drilling Limited, Pacific Sharav S.à r.l. (2431), Pacific Drilling VII Limited, Pacific Drilling V Limited, Pacific Drilling VIII Limited, Pacific Scirocco Ltd. (0073), Pacific Bora Ltd. (9815), Pacific Mistral Ltd., Pacific Santa Ana (Gibraltar) Limited, Pacific Drilling Operations Limited (9103), Pacific Drilling Operations, Inc. (4446), Pacific Santa Ana S.à r.l. (6417), Pacific Drilling, LLC (7655), Pacific Drilling Services, Inc. (5302), Pacific Drillship Nigeria Limited (0281) and Pacific Sharav Korlátolt Felelősségű Társaság.

<sup>2</sup> All capitalized terms used and not defined herein shall have the meanings ascribed to them in the Motion.

consider the relief requested in the Motion on a final basis as set forth in the Final Order; and it appearing that this Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of these chapter 11 cases and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that notice of the Motion has been given as set forth in the Motion and the Interim Order and that such notice is adequate and no other or further notice need be given; and any objections to the Motion having been withdrawn or overruled on the merits; and the Interim Hearing and Final Hearing having been held to consider the relief requested in the Motion; and upon the record of the Interim Hearing, the Final Hearing and all of the proceedings had before this Court; and this Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors, their estates, their creditors and all other parties-in-interest; and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefor;

Based upon the entire record established at the Interim Hearing and the Final Hearing, the Court hereby finds that:

A. Debtors' Stipulations. The Debtors admit, acknowledge, agree and stipulate to the following, subject to the provisions of paragraph 8 of this Final Order.

i. Description of Prepetition Secured Obligations.

a. *Revolving Credit Facility Obligations.* Prior to the Petition Date, pursuant to the Revolving Credit Agreement and the other RCF Documents, the RCF Lenders made the Revolving Credit Facility available to PDSA, as borrower, in the principal amount of \$500,000,000. Each of the RCF Guarantors

provided an unconditional joint and several guaranty of the RCF Obligations (as defined below) arising under the RCF Documents. As of the Petition Date, the RCF Obligors were truly and justly indebted to the RCF Secured Parties pursuant to the RCF Documents, without defense, counterclaim or offset of any kind, in the aggregate principal amount of not less than (i) \$475,000,000 outstanding under the Revolving Credit Facility, plus (ii) accrued and unpaid interest with respect thereto, fees, costs and expenses (including any attorneys', financial advisors', and other professionals' fees and expenses) that are chargeable or reimbursable under the RCF Documents, and all other obligations under the RCF Documents (collectively, the "RCF Obligations").

b. *2020 Notes Obligations.* Prior to the Petition Date, pursuant to the 2020 Indenture and the other 2020 Notes Documents, PDSA issued the 2020 Notes to the initial purchasers of the 2020 Notes in the aggregate principal amount of \$750,000,000. Each of the 2020 Notes Guarantors provided an unconditional joint and several guaranty of the 2020 Notes Obligations (as defined below) arising under the 2020 Notes Documents. As of the Petition Date, the 2020 Notes Obligors were truly and justly indebted to the 2020 Notes Secured Parties pursuant to the 2020 Notes Documents, without defense, counterclaim or offset of any kind, in the aggregate principal amount of not less than (i) \$750,000,000 of outstanding principal under the 2020 Notes plus (ii) accrued and unpaid interest with respect thereto, fees, costs and expenses (including any attorneys', financial advisors', and other professionals' fees and expenses) that are chargeable or reimbursable under the 2020 Notes Documents, and all other

obligations under the 2020 Notes Documents (collectively, the “2020 Notes Obligations”).

c. *Term Loan Obligations.* Prior to the Petition Date, pursuant to the Term Loan Agreement and the other Term Loan Documents, the Term Loan Lenders made available to PDSA, as borrower, the Term Loan B Credit Facility in the principal amount of \$750,000,000. Each of the Term Loan Guarantors provided an unconditional joint and several guaranty of the Term Loan Obligations (as defined below) arising under the Term Loan Documents. As of the Petition Date, the Term Loan Obligor was truly and justly indebted to the Term Loan Secured Parties pursuant to the Term Loan Documents, without defense, counterclaim or offset of any kind, in the aggregate principal amount of not less than (i) \$718,125,000 outstanding under the Term Loan B Credit Facility, plus (ii) accrued and unpaid interest with respect thereto, fees, costs and expenses (including any attorneys’, financial advisors’, and other professionals’ fees and expenses) that are chargeable or reimbursable under the Term Loan Documents, and all other obligations under the Term Loan Documents (collectively, the “Term Loan Obligations”).

d. *Senior Secured Credit Facility Obligations.* Prior to the Petition Date, pursuant to the Senior Secured Credit Facility Agreement and the other SSCF Documents, the SSCF Lenders made available to Pacific Sharay S.à r.l. and Pacific Drilling VII Limited, as borrowers, the Senior Secured Credit Facility in the principal amount of up to \$1,000,000,000. The SSCF Guarantor provided an unconditional guaranty of the SSCF Obligations (as defined below)

arising under the SSCF Documents. As of the Petition Date, the SSCF Obligors were truly and justly indebted to the SSCF Secured Parties pursuant to the SSCF Documents, without defense, counterclaim or offset of any kind, in the aggregate principal amount of not less than (i) \$661,478,000 outstanding under the Senior Secured Credit Facility, plus (ii) accrued and unpaid interest with respect thereto, fees, costs and expenses (including any attorneys', financial advisors', and other professionals' fees and expenses) that are chargeable or reimbursable under the SSCF Documents, and all other obligations under the SSCF Documents (collectively, the "SSCF Obligations").

e. *2017 Notes Obligations.* Prior to the Petition Date, pursuant to the 2017 Indenture and the other 2017 Notes Documents, PDV issued notes (the "2017 Notes") to the 2017 Noteholders in the aggregate principal amount of \$500,000,000. PDSA, as 2017 Notes Guarantor, provided an unconditional guaranty of the 2017 Notes Obligations (as defined below) arising under the 2017 Notes Documents. As of the Petition Date, the 2017 Notes Obligors were truly and justly indebted to the 2017 Notes Secured Parties pursuant to the 2017 Notes Documents, without defense, counterclaim, offset, claim or cause of action of any kind, in the aggregate principal amount of not less than (i) \$439,364,000 of outstanding principal under the 2017 Notes plus (ii) accrued and unpaid interest with respect thereto, fees, costs and expenses (including any attorneys', financial advisors', and other professionals' fees and expenses that are chargeable or reimbursable under the 2017 Notes Documents), and all other obligations under the 2017 Notes Documents (collectively, the "2017

Notes Obligations” and, collectively with the RCF Obligations, the 2020 Notes Obligations, the Term Loan Obligations and the SSCF Obligations, the “Prepetition Secured Obligations”).

f. *Prepetition Shared Collateral Intercreditor Agreement.*

The obligations of each Debtor party to the Intercreditor Agreement, dated as of June 3, 2013, by and among the RCF Agent, Term Loan Agent, 2020 Notes Trustee, Citibank, N.A., as pari passu collateral agent (the “Prepetition Shared Collateral Agent”), PDSA and each grantor signatory thereto or who executed a joinder to same (as amended restated, supplement or otherwise modified from time to time, the “Prepetition Shared Collateral Intercreditor Agreement”), constitute the legal, valid, binding, fully enforceable and non-avoidable obligations of such Debtor. The subordination provisions of the Prepetition Shared Collateral Intercreditor Agreement are enforceable.

ii. Validity of Prepetition Secured Obligations and Prepetition Loan Documents. The Prepetition Secured Obligations constitute legal, valid, binding, fully enforceable and non-avoidable obligations of the RCF Obligors, the 2020 Notes Obligors, the Term Loan Obligors, the SSCF Obligors, and the 2017 Notes Obligors, as applicable (collectively, the “Obligors”). No offsets, defenses, or counterclaims to, or claims or causes of action that could reduce the amount or ranking of, the Prepetition Secured Obligations exist. No portion of the Prepetition Secured Obligations is subject to set-off, avoidance, disallowance, recharacterization, reduction, subordination (whether equitable, contractual, or otherwise, and except as set forth in this Final Order or the Prepetition Shared Collateral Intercreditor Agreement), counterclaims, recoupment,

cross-claims, defenses or any other challenges under or pursuant to the Bankruptcy Code or any other applicable domestic or foreign law or regulation by any person or entity.

The RCF Documents, the 2020 Notes Documents, the Term Loan Documents, the SSCF Documents, and the 2017 Notes Documents (collectively, the “Prepetition Loan Documents”) are valid, binding and enforceable by each of the Prepetition Secured Parties, as applicable, for the benefit of the Prepetition Secured Parties against each of the applicable Obligors. The Prepetition Secured Obligations constitute allowed claims against the applicable Obligors’ estates. As of the Petition Date, no claim of or cause of action held by the Debtors or their estates of any kind exists against any of the Prepetition Secured Parties or their agents, in such capacities, whether arising under applicable state, federal, or foreign law (including, without limitation, any recharacterization, subordination, avoidance, or other claims arising under or pursuant to sections 105, 510, or 542 through 553 of the Bankruptcy Code), or whether arising under or in connection with any of the Prepetition Loan Documents (or the transactions contemplated thereunder), the Prepetition Secured Obligations, or the Prepetition Liens (as defined below).

iii. Description of Prepetition Liens and Prepetition Collateral.

a. Pursuant to and as more particularly described in the RCF Documents, the RCF Obligations are secured by, among other things, first priority liens or mortgages on, security interests in, and assignments, charges, or pledges of (the “RCF Prepetition Liens”), certain property, including, without limitation, certain cash collateral as defined in section 363 of the Bankruptcy Code (the “RCF Cash Collateral”), vessels owned by the RCF Obligors, and other

“Collateral” as such term is defined in the Revolving Credit Agreement (collectively, the “RCF Prepetition Collateral”) and have a “first out” priority under the Prepetition Shared Collateral Intercreditor Agreement, ahead of both the 2020 Notes Obligations and the Term Loan Obligations.

b. Pursuant to and as more particularly described in the 2020 Notes Documents, the 2020 Notes Obligations are secured by first priority liens or mortgages on, security interests in, and assignments, charges, or pledges of (the “2020 Notes Prepetition Liens,” certain property, including, without limitation, certain cash collateral as defined in section 363 of the Bankruptcy Code (the “2020 Notes Cash Collateral”), vessels owned by the 2020 Notes Obligors, and other “Collateral” as such term is defined in the 2020 Indenture (collectively, the “2020 Notes Prepetition Collateral”).

c. Pursuant to and as more particularly described in the Term Loan Documents, the Term Loan Obligations are secured by, among other things, first priority liens or mortgages on, security interests in, and assignments, charges, or pledges of (the “Term Loan Prepetition Liens”), certain property, including, without limitation, certain cash collateral as defined in section 363 of the Bankruptcy Code (the “Term Loan Cash Collateral”), vessels owned by the Term Loan Obligors, and other “Collateral” as such term is defined in the Term Loan Agreement (collectively, the “Term Loan Prepetition Collateral” and, collectively with the RCF Prepetition Collateral and the 2020 Notes Prepetition Collateral, the “Prepetition Shared Collateral”).



d. Pursuant to and as more particularly described in the SSCF Documents, the SSCF Obligations are secured by, among other things, first priority liens or mortgages on, security interests in, and assignments, charges, or pledges of (the “SSCF Prepetition Liens”), certain property, including, without limitation, certain cash collateral as defined in section 363 of the Bankruptcy Code (the “SSCF Cash Collateral”), vessels owned by the SSCF Obligors, and other “Collateral,” as such term is defined in the Senior Secured Credit Facility Agreement, of the SSCF Obligors, Pacific Drilling Operations, Inc. and Pacific Drilling (Gibraltar) Limited (collectively, the “SSCF Prepetition Collateral”).

e. Pursuant to and as more particularly described in the 2017 Notes Documents, the 2017 Notes Obligations are secured by first priority liens or mortgages on, security interests in, and assignments, charges, or pledges of (the “2017 Notes Prepetition Liens,” and collectively with the RCF Prepetition Liens, the 2020 Notes Prepetition Liens, the Term Loan Prepetition Loans, and the SSCF Prepetition Liens, the “Prepetition Liens”), certain property described in the 2017 Notes Documents, including, without limitation, certain cash collateral as defined in section 363 of the Bankruptcy Code (the “2017 Notes Cash Collateral,” and collectively with the RCF Cash Collateral, the 2020 Notes Cash Collateral, the 2020 Notes Cash Collateral, the Term Loan Cash Collateral and the SSCF Cash Collateral, the “Cash Collateral”) and vessels owned by the 2017 Notes Obligors (collectively, the “2017 Notes Prepetition Collateral,” and collectively with the RCF Prepetition Collateral, the 2020 Notes Prepetition Collateral, the Term Loan

Prepetition Collateral, and the SSCF Prepetition Collateral, the “Prepetition Collateral”).

iv. Validity and Perfection of Prepetition Liens. The Prepetition Liens are (a) (i) valid, binding, perfected and enforceable liens on and security interests in the applicable Prepetition Collateral; and (ii) not subject to, pursuant to the Bankruptcy Code or other applicable law (foreign or domestic), avoidance, disallowance, reduction, recharacterization, recovery, subordination (whether equitable, contractual, or otherwise), attachment, offset, counterclaim, defense, “claim” (as defined in the Bankruptcy Code), impairment, right of recoupment, disgorgement or counterclaim, or any other challenge of any kind by any person or entity; and (b) subject to any valid and enforceable liens and encumbrances with respect to the Prepetition Collateral that were permitted under the Prepetition Loan Documents and, as of the Petition Date, are (i) senior to the applicable Prepetition Secured Parties’ liens, (ii) valid, perfected, enforceable and non-avoidable and (iii) not subject to avoidance, reduction, disallowance, disgorgement, counterclaim, surcharge, or subordination pursuant to the Bankruptcy Code or applicable non-bankruptcy law. Each Debtor irrevocably waives, for itself and its estate, any right to challenge or contest in any way the perfection, validation and enforceability of the Prepetition Liens or the validity or enforceability of the Prepetition Secured Obligations and the Prepetition Loan Documents. The Prepetition Liens were granted to the respective Prepetition Secured Parties for fair consideration and reasonably equivalent value, and were granted contemporaneously with the making of loans, commitments, and/or other financial accommodations under the Prepetition Loan Documents.

v. No Liability to Third Parties. None of the Prepetition Secured Parties (i) have liability to any third party or be deemed to be in control of the operation of any of the Debtors or to be acting as a “controlling person,” “responsible person,” “owner or operator,” or “participant” with respect to the operation or management of any of the Debtors (as such term, or any similar terms, are used in the Internal Revenue Code, the United States Comprehensive Environmental Response, Compensation and Liability Act, as amended, or any other Federal, state, or applicable international statute or regulation) or (ii) owe any fiduciary duty to any of the Debtors, their creditors or estates, or shall constitute or be deemed to constitute a joint venture or partnership with any of the Debtors.

vi. Releases by Debtors. Each of the Debtors and the Debtors’ estates, on its own behalf and on behalf of its past, present and future predecessors, successors, heirs, subsidiaries, and assigns shall to the maximum extent permitted by applicable law, unconditionally, irrevocably and fully forever release, remise, acquit, relinquish, irrevocably waive and discharge each of the Prepetition Secured Parties, in such capacities, that consented, or did not object, to the entry of the Interim Order and this Final Order (the “Consenting Prepetition Secured Parties”), and each of their respective former, current, or future officers, employees, directors, agents, representatives, owners, members, partners, financial advisors, legal advisors, shareholders, managers, consultants, accountants, attorneys, affiliates, and predecessors in interest of and from any and all claims, demands, liabilities, responsibilities, disputes, remedies, causes of action, indebtedness and obligations, rights, assertions, allegations, actions, suits, controversies, proceedings, losses, damages, injuries, attorneys’ fees, costs, expenses, or

judgments of every type, whether known, unknown, asserted, unasserted, suspected, unsuspected, accrued, unaccrued, fixed, contingent, pending, or threatened including, without limitation, all legal and equitable theories of recovery, arising under common law, statute or regulation or by contract, of every nature and description that exist on the date hereof directly or indirectly arising from, relating in any way to, or connected with any of the Prepetition Loan Documents or the obligations thereunder, or the transactions contemplated under such documents, including, without limitation, (i) any so-called “lender liability” or equitable subordination claims or defenses, (ii) any and all claims and causes of action arising under the Bankruptcy Code, and (iii) any and all claims and causes of action regarding the validity, priority, perfection or avoidability of the liens or claims of the Consenting Prepetition Secured Parties. The Debtors’ acknowledgments, stipulations, waivers, and releases shall be binding on the Debtors and their respective representatives, successors and assigns and, subject to any action timely commenced before the Investigation Termination Date (as defined below), on each of the Debtors’ estates and all entities and persons, including any creditors of the Debtors, and each of their respective representatives, successors and assigns, including, without limitation, any trustee or other representative appointed in these Chapter 11 Cases, whether such trustee or representative is appointed under chapter 11 or chapter 7 of the Bankruptcy Code.

vii. Indemnification. The Consenting Prepetition Secured Parties have acted in good faith, and without negligence or violation of public policy or law, in respect of all actions taken by any of them in connection with or related in any way to negotiating, implementing, documenting or obtaining requisite approvals of the use of Cash Collateral, including in respect of the granting of the Adequate Protection Liens (as

defined below), the use of Cash Collateral under the Interim Order or this Final Order, and all documents related to and all transactions contemplated by the foregoing.

Accordingly, the Consenting Prepetition Secured Parties shall be and hereby are indemnified and held harmless by the Debtors in respect of any claim or liability incurred in respect thereof or in any way related thereto; provided that no such party will be indemnified for any cost, expense or liability to the extent determined in a final, non-appealable judgment of a court of competent jurisdiction to have resulted primarily from such party's bad faith, gross negligence, or willful misconduct.

B. Necessity of Relief Requested. The Debtors require the use of Cash Collateral to continue to use the Cash Management System to operate their business in the ordinary course with sufficient liquidity. The relief requested in the Motion is, therefore, necessary and appropriate for the continued operation of the Debtors' business, and the management and preservation of their estates. The entry of this Final Order is in the best interests of the Debtors, their estates and their creditors.

C. Sufficiency of Adequate Protection. Under the circumstances, for purposes of this Final Order, the adequate protection provided herein is reasonable and sufficient to protect the interests of the Prepetition Lenders in the Prepetition Collateral (including Cash Collateral) in accordance with sections 361, 362, and 363 of the Bankruptcy Code.

D. Good Cause Shown; Best Interest. This Court concludes that good cause has been shown and entry of this Final Order is in the best interests of the Debtors' respective estates and creditors as its implementation will, among other things, allow for the continued operation of the Debtors' existing businesses and enhance the Debtors' prospects for a successful reorganization.

E. Notice. Under the circumstances, the notice given by the Debtors of the Motion and the Final Hearing constitutes due and sufficient notice thereof pursuant to Bankruptcy Rules 2002 and 4001(c).

IT IS HEREBY ORDERED THAT:

1. The Motion is GRANTED on an as set forth herein on a final basis.
2. Objections Overruled. All objections to the granting of the relief requested in the Motion are hereby overruled, to the extent not withdrawn or resolved.
3. Authorization to Use Cash Collateral. The Debtors are hereby authorized to use Cash Collateral subject to further order of this Court. This authorization includes using Cash Collateral to (a) continue their operations, pay for corporate needs and the costs of administering these chapter 11 cases and provide funding to their subsidiaries (whether Debtors or non-Debtors) consistent with the practices described in the Cash Management Motion, (b) make adequate protection payments as contemplated by the Proposed Orders and (c) pay certain prepetition obligations as further described in the Debtors' "first day" motions filed concurrently herewith and as authorized pursuant to the "first day" orders granting such motions.
4. Termination Events. Notwithstanding anything contained herein, unless otherwise agreed by the Debtors and each of the Prepetition Agents, the authority for use of Cash Collateral under this Final Order shall terminate upon the earlier to occur of (each of the following, a "Termination Event"): (i) the date this Final Order ceases to be in full force and effect for any reason to the extent the Final Order has not been entered at such time; (ii) the date the Court enters an order dismissing any of the Chapter 11 Cases; (iii) the date the Court enters an order converting any of the Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code; and (iv) the Bankruptcy Court shall have entered an order reversing, amending,

supplementing, vacating, or otherwise modifying this Final Order without the consent of each of the Prepetition Agents.

5. Adequate Protection. As adequate protection against any diminution in value of the Prepetition Lenders interests in the Prepetition Collateral, including Cash Collateral, each of the Prepetition Secured Parties is hereby granted the following, in each case subject and subordinate to the Carve-Out:

a. Adequate Protection Liens. To secure any Superpriority Adequate Protection Claim (defined below) against any Debtor or payment of any amount due by any Debtor under the Interim Order or this Final Order, valid, binding, enforceable and perfected security interests in and liens upon (the “Adequate Protection Liens”) all property, whether now owned or hereafter acquired or existing and wherever located, of any such Debtor and the other Debtors in such Debtor’s Ship Group, and their respective “estates” (as created pursuant to section 541(a) of the Bankruptcy Code), of any kind or nature whatsoever, real or personal, tangible or intangible, including, without limitation, all cash, accounts, inventory, goods, contract rights, instruments, documents, chattel paper, patents, trademarks, copyrights, and licenses therefor, accounts receivable, receivables and receivables records, general intangibles, payment intangibles, tax or other refunds, insurance proceeds, letters of credit, contracts, owned real estate, real property leaseholds, vessels, charter-hire receipts, earnings, insurance policies and proceeds, fixtures, deposit accounts, commercial tort claims, securities accounts, instruments, investment property, letter-of-credit rights, supporting obligations, machinery and equipment, real property, leases (and proceeds from the disposition thereof), including equity interests in subsidiaries and non-wholly-owned subsidiaries, money, investment

property, and causes of action (other than causes of action arising under sections 502(d), 544, 545, 547, 548, 550 (unless related to an action under 549), 551 (unless related to an action under 549), or 553 of the Bankruptcy Code (the “Avoidance Actions”)) and the proceeds of Avoidance Actions, Cash Collateral, and all other cash and non-cash proceeds, rents, products, substitutions, accessions, and profits of any of the collateral described above, whether in existence on the Petition Date or thereafter created, acquired, or arising and wherever located (all such property, other than the Prepetition Collateral in existence immediately prior to the Petition Date and proceeds, rents, products, profits, and offspring of such Prepetition Collateral, being collectively referred to as, the “Postpetition Collateral,” and together with the Prepetition Collateral, the “Collateral”) without the necessity of the execution of mortgages, security agreements, pledge agreements, financing statements, or other agreements;

b. Superpriority Claims. To the extent and in an amount equal to any diminution in value of such Prepetition Lender’s interests, if any, in the Prepetition Collateral, including Cash Collateral, of a Debtor, from and after the Petition Date resulting from the imposition and enforcement of the automatic stay and such Debtor’s use of such Prepetition Collateral (including for the avoidance of doubt any diminution in value resulting from the Carve-Out), an allowed superpriority administrative expense claim against such Debtor and each other Debtor in such Debtor’s Ship Group, jointly and severally, pursuant to sections 503(b), 507(a) and 507(b) of the Bankruptcy Code as provided for in section 507(b) of the Bankruptcy Code (a “Superpriority Adequate Protection Claim”). Subject and subordinate to the Carve-Out, (i) any Superpriority Adequate Protection Claim shall be an allowed claim against the Debtors in the



applicable Ship Group, jointly and severally, with priority over any and all administrative expenses and all other claims against such Debtors now existing or hereafter arising, of any kind whatsoever, including, without limitation, all other administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code and over any and all other administrative expenses or other claims arising under any other provision of the Bankruptcy Code, including, without limitation, sections 105, 326, 327, 328, 330, 331, 503(b), 507(a), 507(b), or 1114 of the Bankruptcy Code, whether or not such expenses or claims may become secured by a judgment lien or other nonconsensual lien, levy or attachment, (ii) the Superpriority Adequate Protection Claims shall be payable from and have recourse to the proceeds of the Avoidance Actions and (iii) the allowed Superpriority Adequate Protection Claims shall be payable from and have recourse to all unencumbered pre- and post-petition property of the applicable Debtor (subject to the foregoing sentence). No cost or expense of administration under sections 105, 503 or 507 of the Bankruptcy Code or otherwise, including any such cost or expense resulting from or arising after the conversion of the any of the Chapter 11 Cases under section 1112 of the Bankruptcy Code, shall be senior to, or *pari passu* with, the Superpriority Adequate Protection Claims.

c. Fees and Expenses. Fourteen (14) days following receipt by the Debtors and the United States Trustee of summary form invoices therefor, the Debtors shall pay, without further order of, or application to, this Court or notice to any other party, of all outstanding prepetition and all postpetition reasonable and documented fees and expenses incurred by the Prepetition Agents, including, without limitation,<sup>3</sup>

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<sup>3</sup> For the avoidance of doubt, none of the fees and expenses payable pursuant to this paragraph shall be subject to the United States Trustee guidelines. Invoices for such fees and expenses may be redacted to

i. the fees and expenses incurred by (a) Shearman & Sterling LLP, as counsel to the RCF Agent, (b) White & Case LLP, as counsel to the ad hoc group of RCF Lenders, (c) PJT Partners LP, as financial advisor to the RCF Agent, in accordance with its engagement letter agreed by the Debtors, and (d) any other local, maritime, or foreign counsel retained by the RCF Agent or the ad hoc group of RCF Lenders whose services are discrete and not duplicative of the services of any other counsel of the RCF Agent or the ad hoc group of RCF Lenders;

ii. the fees and expenses incurred by (a) Milbank Tweed, Hadley & McCloy LLP, as counsel to the SSCF Agent, (b) Moelis & Company LLC, as financial advisor to the SSCF Agent, in accordance with its engagement letter agreed by the Debtors, and (c) any other local, maritime, or foreign counsel (including Norwegian counsel) retained by the SSCF Agent whose services are discrete and not duplicative of the services of any other counsel of the SSCF Agent;

iii. the fees and expenses incurred by (a) Paul, Weiss, Rifkind, Wharton & Garrison LLP, as counsel to the ad hoc group of bondholders (the “Ad Hoc Group”), (b) Houlihan Lokey, as financial advisor to the Ad Hoc Group, in accordance with its prepetition engagement letter, and (c) any other local, maritime, or foreign counsel retained by the ad hoc group of bondholders whose

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delete any information subject to the attorney-client privilege, any information constituting attorney work product or any other confidential information, and the providing of such invoices shall not constitute any waiver of the attorney-client privilege or any benefits of the attorney work product doctrine. To the extent any party has an objection to the fees and expenses requested, they shall so advise applicable Prepetition Agents and Ad Hoc Group Advisors. If any such objection is raised and not resolved and/or withdrawn, the parties shall submit any dispute to this Court for adjudication. The fees and expenses payable pursuant to this paragraph are payable in full, in cash, and are not subject to the Approved Budget.

services are discrete and not duplicative of the services of any other counsel of the Ad Hoc Group (collectively, the “Ad Hoc Group Advisors”); provided that, for the avoidance of doubt, any fees and expenses paid pursuant to this paragraph 5.c.iii shall not be subject to any payment priority or turnover provisions set for in the Prepetition Shared Collateral Intercreditor Agreement, including Sections 2.3 and 2.5 thereof.

iv. the fees and expenses incurred by (a) Moses & Singer LLP, as counsel to the 2020 Indenture Trustee, and (b) any other local, maritime, or foreign counsel retained by the 2020 Indenture Trustee whose services are discrete and not duplicative of the services of any other counsel of the 2020 Indenture Trustee or the Ad Hoc Group Advisors; provided that, for the avoidance of doubt, any fees and expenses paid pursuant to this paragraph 5.c.iv shall not be subject to any payment priority or turnover provisions set for in the Prepetition Shared Collateral Intercreditor Agreement, including Sections 2.3 and 2.5 thereof;

v. the fees and expenses incurred by (a) lead counsel to the Term Loan Agent, and (b) any other local, maritime, or foreign counsel retained by the Term Loan Agent whose services are discrete and not duplicative of the services of any other counsel of the Term Loan Agent or the Ad Hoc Group Advisors; and

vi. the fees and expenses incurred by (a) Moses & Singer LLP, as counsel to the 2017 Indenture Trustee, and (b) any other local, maritime, or foreign counsel retained by the 2017 Indenture Trustee whose services are

discrete and not duplicative of the services of any other counsel of the 2017  
Indenture Trustee or the Ad Hoc Group Advisors;

d. Interest.

i. Revolving Credit Facility. The RCF Agent (on behalf of the RCF Secured Parties) shall receive from the Debtors (a) adequate protection payments made in cash consisting of all accrued and unpaid prepetition interest as well as current post-petition payments of interest in each case at the contractual non-default rate set forth in the RCF Documents (the foregoing to include all unpaid prepetition interest), as and when such interest becomes due and payable (in the absence of any default) in accordance with the terms of the RCF Documents; and (b) upon entry of this Final Order, all other due and unpaid fees, costs and disbursements (other than legal and advisory fees and expenses, which shall be paid in accordance with this Paragraph 5 of this Final Order). For the avoidance of doubt, the payment of interest pursuant to this paragraph shall be without prejudice to the rights of the RCF Secured Parties to assert claims for payment of additional interest at any other rates in accordance with the RCF Documents and/or to request current payment of interest accrued at the default rate.

ii. Senior Secured Credit Facility. The SSCF Agent (on behalf of the SSCF Secured Parties) shall receive from the Debtors (a) adequate protection payments made in cash consisting of all accrued and unpaid prepetition interest as well as current post-petition payments of interest in each case at the contractual non-default rate set forth in the SSCF Documents (the foregoing to

include all unpaid prepetition interest), as and when such interest becomes due and payable (in the absence of any default) in accordance with the terms of the SSCF Documents; and (b) upon entry of this Final Order, all other due and unpaid fees, costs and disbursements (other than legal and advisory fees and expenses, which shall be paid in accordance with this Paragraph 5 of this Final Order). For the avoidance of doubt, the payment of interest pursuant to this paragraph shall be without prejudice to the rights of the SSCF Secured Parties to assert claims for payment of additional interest at any other rates in accordance with the SSCF Documents and/or to request current payment of interest accrued at the default rate.<sup>4</sup>

e. Insurance on Assets. The Debtors shall provide continued maintenance of and appropriate insurance on the Debtors' assets (including the vessels), in the amounts consistent with the Debtors' prepetition practices and as set forth in the applicable Prepetition Loan Documents;

f. Books and Records. The Debtors shall permit representatives, agents and employees of the Prepetition Agents to examine the Debtors' books and records;

g. Entry Into or Termination of Charters. The Debtors shall not (a) enter into any charters with a term greater than one year with respect to any drillship (or extend or agree to extend the term of any such charter beyond one year) or (b) terminate, reject or reassign the Offshore Drilling Contract, by and between Chevron U.S.A. Inc.,

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<sup>4</sup> For the avoidance of doubt, the interest payments referenced in this Paragraph 5.d.ii shall include, without limitation, the Fifth Amendment GIEK Premium and the Fifth Amendment Commercial Premium (each, as defined in the SSCF Documents), whether such payments are owed for the account of the SSCF Lenders or GIEK.

through its division, Chevron North America Exploration and Production Company, and Pacific Drilling Operations, Inc., dated June 15, 2012, in each case without Court approval after notice to the Prepetition Agents of the applicable Ship Group; and

h. Reporting. On or before December 8, 2017 and no later than the first Friday of each calendar month thereafter, the Debtors shall provide updated 13-week cash flow projections to the Prepetition Agents, which shall include the projected cash balance at the Pool Leader at the end of the applicable 13-week period. The Debtors also shall provide the Prepetition Agents on a weekly basis a report of (a) weekly and cumulative variances between actual and projected expenditures and (b) the cash balance at the Pool Leader at the time of such report. The Debtors shall make themselves reasonably available to the Agents to answer questions with respect to the 13-week cash flow projections and such weekly reports.

6. Carve-Out: The “Carve-Out” shall mean, with respect to each Debtor, (i) any fees payable by such Debtor to the Clerk of the Bankruptcy Court or to the Office of the United States Trustee pursuant to section 1930(a) of title 28 of the United States Code, and any interest on such fees payable pursuant to section 3717 of title 31 of the United States Code; (ii) the reasonable fees and expenses up to \$50,000 in the aggregate for all Debtors incurred by a trustee appointed in these cases under section 726(b) of the Bankruptcy Code; (iii) solely with respect to Debtors other than the Drillship Subsidiaries, all accrued and unpaid reasonable fees, disbursements, costs, and expenses (the “Professional Fees”) incurred by such Debtor with respect to (A) professionals or professional firms retained by the Debtors pursuant to sections 327, 328, or 363 of the Bankruptcy Code, (B) professionals or professional firms retained by any statutory committee appointed in these chapter 11 cases pursuant to section 1103

of the Bankruptcy Code (a “Committee”), or (C) any claims and noticing agent retained in accordance with 28 U.S.C. § 156(c) (collectively, the “Estate Professionals”), which Professional Fees (x) are allowed or approved by the Court at any time and (y) have been incurred (regardless of when invoiced or applied for) at any time on or before the date of the termination of the Debtors’ right to use the Cash Collateral pursuant to this Final Order (the “Termination Date”); (iv) solely with respect to Debtors other than the Drillship Subsidiaries, the Professional Fees of the Estate Professionals incurred after the Termination Date and allowed or approved by the Court, in an aggregate amount not exceeding \$500,000 in the aggregate for all Debtors; and (v) subject to paragraph 8 of this Final Order, any recovery from Prepetition Collateral or Postpetition Collateral approved by this Court after notice and hearing as a permissible recovery under section 506(c) of the Bankruptcy Code.

7. 506(c) Waiver. Except as provided in the Interim Order or this Final Order, no costs or expenses of administration which have been or may be incurred in any of the Chapter 11 Cases at any time shall be charged against any Prepetition Secured Party, any of the Prepetition Secured Obligations, any of their respective claims, or the Collateral pursuant to sections 506(c) or 105(a) of the Bankruptcy Code, or otherwise, without the prior written consent of the affected Prepetition Agent, and no such consent shall be implied from any other action, inaction, or acquiescence by any of the Prepetition Secured Parties or their respective representatives; provided, the Debtors may surcharge Ship Group A Collateral or Ship Group C Collateral pursuant to section 506(c) of the Bankruptcy Code (a) as approved by this Court upon a motion after notice and hearing and (b) with respect to the costs and expenses of upgrading, repairing or maintaining drillships that do not exceed in the aggregate \$[•] million with respect to Ship Group A Collateral and \$[•] million with respect to Ship Group C Collateral; provided,

further that all rights of the Prepetition Secured Parties to oppose any such motion are fully preserved.

8. Effect of Stipulations on Third Parties. The stipulations and admissions contained in this Final Order, including, without limitation, in paragraph A of this Final Order, shall be binding upon the Debtors and their affiliates and any of their respective successors (including, without limitation, any chapter 7 or chapter 11 trustee appointed or elected for any Debtor) in all circumstances. The stipulations, releases, waivers, and admissions contained in this Final Order, including, without limitation, in paragraph A of this Final Order, shall be binding upon all other parties in interest, including, without limitation, any Committee and any other person or entity acting (or purporting to act) on behalf of the Debtors' estate, unless and except to the extent that, (i) upon three days' prior written notice to the Debtors and the Prepetition Agents, a party in interest with proper standing granted by order of the Court (or another court of competent jurisdiction) has timely filed an adversary proceeding or contested matter (subject to the limitations contained herein, including, *inter alia*, in paragraph 10) by no later than the date that is 60 days from the entry of this Final Order or such later date as has been agreed to, in writing, by the applicable Prepetition Agent, in its sole discretion (the "Investigation Termination Date"), (A) challenging the validity, enforceability, priority or extent of the Prepetition Secured Obligations or (B) otherwise asserting or prosecuting any action for preferences, fraudulent transfers or conveyances, other avoidance power claims or any other claims, counterclaims or causes of action, objections, contests or defenses to the extent released by the Debtors under paragraph A of the Interim Order or this Final Order, respectively (collectively, "Claims and Defenses"), against any of the Prepetition Secured Parties or their affiliates, representatives, attorneys or advisors in connection with matters related to the



Prepetition Loan Documents or the Prepetition Collateral, and (ii) such challenge or claim in any such timely filed adversary proceeding or contested matter has (A) with respect to the plaintiff, not been dismissed or overruled and (B) with respect to other parties-in-interest, been sustained in a final order; provided that any challenge or claim shall set forth with specificity the basis for such challenge or claim and any challenges or claims not so specified prior to the expiration of the Investigation Termination Date shall be forever deemed waived, released and barred. If no such adversary proceeding or contested matter is timely filed, (x) the Prepetition Secured Obligations shall constitute allowed claims, not subject to counterclaim, setoff, recoupment, reduction, subordination, recharacterization, defense or avoidance, for all purposes in the Chapter 11 Cases and any subsequent chapter 7 case, (y) the liens and security interests securing the Prepetition Secured Obligations shall be deemed to have been, as of the Petition Date, legal, valid, binding and perfected, not subject to recharacterization, subordination or avoidance, and (z) the Prepetition Secured Obligations, the liens and security interests securing the Prepetition Secured Obligations, and the Prepetition Secured Parties shall not be subject to any other or further challenge by any party in interest seeking to exercise the rights of any Debtor's estate, including, without limitation any successor thereto (including, without limitation, any chapter 7 or 11 trustee appointed or elected for the Debtor). If any such adversary proceeding or contested matter is timely filed, the stipulations and admissions contained in paragraph A of this Final Order shall nonetheless remain binding and preclusive (as provided in the second sentence of this paragraph) on any Committee and on any other person or entity, except to the extent that such findings and admissions were expressly challenged in such adversary proceeding or contested matter prior to the Investigation Termination Date. Nothing in this Final Order vests or confers on any "person" (as defined in the Bankruptcy Code), including any Committee, standing or

authority to bring, pursue, or settle any cause of action belonging to the Debtors or their estates, including, without limitation, Claims and Defenses with respect to the Prepetition Loan Documents or the Prepetition Secured Obligations, and an order of the Court conferring such standing on the Committee or other party-in-interest shall be a prerequisite for the prosecution of Claims and Defenses by the Committee or such other party-in-interest.

9. Use of Proceeds of Prepetition Collateral. No proceeds of the Prepetition Collateral shall be used for the purpose of: (a) investigating, objecting to, challenging or contesting in any manner, or in raising any defenses to, the amount, validity, extent, perfection, priority or enforceability of the Prepetition Secured Obligations, or any liens or security interests with respect thereto, or any other rights or interests of any of the Prepetition Secured Parties, whether in their capacity as such or otherwise, including with respect to the Adequate Protection Liens, or in asserting any claims or causes of action against any of the Prepetition Secured Parties (whether in their capacity as such or otherwise), including, without limitation, for lender liability or pursuant to section 105, 510, 544, 547, 548, 549, 550, or 552 of the Bankruptcy Code, applicable non-bankruptcy law or otherwise (and the Prepetition Secured Parties reserve the right to object to, contest, or otherwise challenge any claim for amounts incurred in connection with such activities on the grounds that such claim shall not be allowed, treated or payable as an administrative expense claim for purposes of section 1129(a)(9)(A) of the Bankruptcy Code); or (b) paying any amount on account of any claims arising before the Petition Date unless such payments are approved by an order of this Court.

10. No Waiver of Prepetition Secured Parties' Rights; Reservation of Rights. Notwithstanding any provision in this Final Order to the contrary, this Final Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, any of the Prepetition

Secured Parties' rights with respect to any person or entity other than the Debtors or with respect to any other collateral owned or held by any person or entity other than the Debtors. The rights of the Prepetition Secured Parties are expressly reserved and entry of this Final Order shall be without prejudice to, and does not constitute a waiver, expressly or implicitly, of:

- a. the Prepetition Secured Parties' rights under any of the Prepetition Loan Documents;
- b. the Prepetition Secured Parties' rights to seek any other or supplemental relief in respect of the Debtors;
- c. the Prepetition Secured Parties' rights to seek modification of the grant of adequate protection provided under this Final Order so as to provide different or additional adequate protection at any time;
- d. any of the Prepetition Secured Parties' rights under the Bankruptcy Code or under non-bankruptcy law including, without limitation, to the right to: (i) request modification of the automatic stay of section 362 of the Bankruptcy Code; (ii) request dismissal of the Chapter 11 Cases, conversion of any of the Chapter 11 Cases to cases under chapter 7, or appointment of a chapter 11 trustee or examiner with extended powers; or (iii) propose, subject to section 1121 of the Bankruptcy Code, a chapter 11 plan or plans;
- e. any of the Prepetition Secured Parties' rights with respect to whether cash constituted or constitutes Prepetition Collateral or the proceeds of Prepetition Collateral in which the Prepetition Secured Parties had or have valid and perfected security interests and/or should be subject to a constructive trust or other equitable trust in favor of the Prepetition Secured Parties;

f. any of the Prepetition Secured Parties' right to credit bid up to the full amount of any remaining Prepetition Secured Obligations in the sale of any Prepetition Collateral or pursuant to, and subject to the terms of the Prepetition Shared Collateral Intercreditor Agreement, (i) section 363 of the Bankruptcy Code, (ii) a plan of reorganization or a plan of liquidation under section 1129 of the Bankruptcy Code, or (iii) a sale or disposition by a chapter 7 trustee for any Debtor under section 725 of the Bankruptcy Code; or

g. any other rights, claims, or privileges (whether legal, equitable, or otherwise) of the Prepetition Secured Parties.

11. Recharacterization. The Debtors reserve their rights to argue that, if any of the Prepetition Secured Obligations are determined by this Court to be undersecured, any payment of fees and expenses and interest permitted hereunder should be recharacterized and re-credited to the principal balance of such Prepetition Secured Obligations pursuant to further order entered by this Court. The Prepetition Secured Parties reserve their rights to assert defenses to any such argument and to otherwise oppose any such recharacterization.

12. Further Relief. Notwithstanding anything to the contrary herein, nothing herein shall limit (i) the Debtors' right to seek authority on a consensual or non-consensual basis, whether before or after a Termination Event, to use Cash Collateral pursuant to further order of this Court or (ii) the Prepetition Secured Parties' rights to object to, challenge, or oppose any such relief.

13. Further Assurances. The Debtors shall execute and deliver to the Prepetition Agents all such agreements, financing statements, instruments, and other documents

as they may reasonably request to evidence, confirm, validate, or evidence the perfection of the Adequate Protection Liens granted pursuant hereto.

14. Priority of Adequate Protection Liens. Subject to the Carve-Out, the extent and priority of any Adequate Protection Lien granted to a Prepetition Lender with respect to Postpetition Collateral shall be the same as existed as of the Petition Date with respect to its Prepetition Collateral.

15. Automatic Effectiveness of Liens. The Adequate Protection Liens shall not be subject to challenge and shall attach and become valid, perfected, enforceable, non-avoidable, and effective by operation of law as of the Petition Date, having the priority set forth in paragraph 5 of this Final Order, without any further action by the Debtors or the Prepetition Secured Parties and without the necessity of execution by the Debtors, or the filing or recordation, of any financing statements, security agreements, vehicle lien applications, mortgages (including ships' mortgages), filings with the U.S. Patent and Trademark Office, the U.S. Copyright Office, or the Library of Congress, or other documents or the taking of any other actions. If any Prepetition Agent hereafter requests that the Debtors execute and deliver to them financing statements, security agreements, collateral assignments, mortgages, or other instruments and documents considered by such agent to be reasonably necessary or desirable to further evidence the perfection of the Adequate Protection Liens, as applicable, the Debtors are hereby directed to execute and deliver such financing statements, security agreements, mortgages, collateral assignments, instruments, and documents, and the Prepetition Agents are hereby authorized to file or record such documents in their discretion without seeking modification of the automatic stay under section 362 of the Bankruptcy Code, in which event all

such documents shall be deemed to have been filed or recorded at the time and on the date of entry of the Interim Order.

16. No Marshaling/Application of Proceeds. In no event shall any of the Prepetition Secured Parties be subject to the equitable doctrine of “marshaling” or any other similar doctrine with respect to any of the Collateral.

17. Proofs of Claim. Notwithstanding any order entered by the Court in relation to the establishment of a bar date in the Chapter 11 Cases to the contrary, or otherwise, the Prepetition Secured Parties shall not be required to file proofs of claim in the Chapter 11 Cases for any claim allowed herein, and the Debtors’ stipulations contained in paragraph A herein shall be deemed to constitute a timely filed proof of claim against the applicable Debtors. Notwithstanding the foregoing, each of the Prepetition Agents (on behalf of themselves and the applicable other Prepetition Secured Parties) is hereby authorized and entitled, in its sole discretion, but not required, to file (and amend and/or supplement, as it sees fit) a master proof of claim for any claims of the applicable Prepetition Secured Parties arising from the applicable Prepetition Loan Documents; provided that nothing herein shall waive the right of any Prepetition Secured Party to file its own proofs of claim against the Debtors. The provisions set forth in this paragraph are intended solely for the purpose of administrative convenience and shall not affect the substantive rights of any party-in-interest or their respective successors-in-interest, including, without limitation, the numerosity requirements set forth in section 1126 of the Bankruptcy Code.

18. Arrest or Seizure of Vessels. The automatic stay is hereby modified to the extent necessary to permit the Prepetition Secured Parties to assert their interests in any vessel that becomes subject to any attachment, arrest or seizure proceeding (an “Arrest Proceeding”),

including without limitation, to preserve their liens or to exercise their rights to pay and discharge any debts or liabilities that gave rise to the Arrest Proceeding, or to provide bail in such Arrest Proceeding in order to release the vessel from the Arrest Proceeding, in the event that: (i) within seven (7) business days upon receiving notice of such actual or threatened Arrest Proceeding, the Debtors shall have not taken steps to intervene in or stay the Arrest Proceeding and asserted their and the respective Prepetition Secured Parties' rights or interests in the vessel, including, without limitation, to obtain enforcement of a stay in the relevant jurisdiction, or (ii) the Arrest Proceeding is not lifted within thirty (30) calendar days. The Debtors shall promptly notify, in writing, the Prepetition Secured Parties of any actual or threatened Arrest Proceeding.

19. Credit Bidding. Each Prepetition Agent (subject to obtaining any required consent or direction of the applicable Prepetition Secured Parties), on behalf of the applicable Prepetition Secured Parties, shall have the right to credit bid, pursuant to all of the terms of section 363(k) of the Bankruptcy Code, all of their respective allowed claims in connection with a sale of the Debtors' assets under section 363 of the Bankruptcy Code or under a chapter 11 plan.

20. Good Faith. Each of the Prepetition Secured Parties has acted in good faith (including, without limitation, for the purposes of section 363(m) of the Bankruptcy Code) in connection with the Interim Order and this Final Order and their reliance on the Interim Order and this Final Order has been and is in good faith.

21. Payments Free and Clear. Any and all payments or proceeds remitted to the Prepetition Secured Parties pursuant to the provisions of the Interim Order, this Final Order or any subsequent order of this Court shall be received free and clear of any claim, charge, assessment or other liability.

22. Intercreditor Agreement. Nothing in this Final Order shall amend or otherwise modify the terms and enforceability of the Prepetition Shared Collateral Intercreditor Agreement, and such agreement shall remain in full force and effect; provided that any payments made pursuant to paragraphs 5.c.iii or 5.c.iv of the Interim Order or this Final Order, respectively, shall not be subject to any payment priority or turnover provisions of the Prepetition Shared Collateral Intercreditor Agreement, including Sections 2.3 and 2.5 thereof. The rights of the RCF Secured Parties, Term Loan Secured Parties and 2020 Notes Secured Parties (collectively, the “Prepetition Shared Collateral Secured Parties”) shall at all times remain subject to the Prepetition Shared Collateral Intercreditor Agreement. Notwithstanding anything to the contrary herein or in any other order of this Court, in determining the relative priorities and rights of the Prepetition Shared Collateral Secured Parties (including, without limitation, the relative priorities and rights of the Prepetition Shared Collateral Secured Parties in respect to the adequate protection granted hereunder), such relative priorities and rights shall continue to be governed by the Prepetition Shared Collateral Intercreditor Agreement, the RCF Documents, the 2020 Notes Documents and the Term Loan Documents.

23. Binding Effect. Subject to paragraph 8 of this Final Order, the provisions of this Final Order shall be binding upon and inure to the benefit of the Prepetition Secured Parties to the extent and as set forth herein, the Debtors, any Committee, and their respective successors and assigns (including any chapter 7 or chapter 11 trustee hereafter appointed or elected for the estate of any of the Debtors, an examiner appointed pursuant to section 1104 of the Bankruptcy Code or any other fiduciary appointed as a legal representative of any of the Debtors or with respect to the property of the estate of any of the Debtors). To the extent permitted by applicable law, this Final Order shall bind any trustee hereafter appointed for the



estate of any of the 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 Final Order.

24. Survival. The provisions of this Final Order and any actions taken pursuant hereto shall survive the entry of any order: (i) confirming any plan of reorganization in any of the Chapter 11 Cases, (ii) converting any of the Chapter 11 Cases to a chapter 7 case, or (iii) dismissing any of the Chapter 11 Cases, and, with respect to the entry of any order as set forth in clause (ii) or (iii) of this paragraph 24, the terms and provisions of this Final Order as well as the Adequate Protection Liens and Superpriority Adequate Protection Claims shall continue in full force and effect notwithstanding the entry of any such order.

25. Effect of Dismissal of Chapter 11 Cases. If any of the Chapter 11 Cases is dismissed, converted, or substantively consolidated, such dismissal, conversion, or substantive consolidation of these Chapter 11 Cases shall not affect the rights of the Prepetition Secured Parties under this Final Order, and all of their rights and remedies thereunder shall remain in full force and effect as if the Chapter 11 Cases had not been dismissed, converted, or substantively consolidated. If an order dismissing any of the Chapter 11 Cases is at any time entered, such order shall provide or be deemed to provide (in accordance with Sections 105 and 349 of the Bankruptcy Code) that: (i) subject to paragraph 8 of this Final Order, the Prepetition Liens, Adequate Protection Liens, and Superpriority Adequate Protection Claims granted to and conferred upon the Prepetition Secured Parties shall continue in full force and effect and shall maintain their priorities as provided in this Final Order (and that such Superpriority Adequate Protection Claims shall, notwithstanding such dismissal, remain binding on all interested parties) and (ii) to the greatest extent permitted by applicable law, this Court shall retain jurisdiction,

notwithstanding such dismissal, for the purpose of enforcing the Prepetition Liens, Adequate Protection Liens, and Superpriority Adequate Protection Claims referred to in this Final Order.

26. Controlling Effect of Final Order. To the extent any provision of this Final Order conflicts or is inconsistent with any provision of the Motion, any prepetition agreement or the Interim Order, the provisions of this Final Order shall control to the extent of such conflict.

27. Debtors' Reservation of Rights. Except as set forth in this Final Order, including, without limitation, in paragraph A of this Final Order, nothing in the Motion or this Final Order shall constitute an admission or stipulation by the Debtors as to the amount, validity, enforceability or priority of any claim or interest in property, the extent of any security interest in property acquired after the Petition Date, or the existence of any diminution of value of any interest in the Prepetition Collateral after the Petition Date. The Debtors shall provide adequate protection to Prepetition Lenders only to the extent that the Prepetition Lenders' prepetition claims and liens exist, are valid, prior to all others and not subject to defense, offset, avoidance or subordination.

28. Modifications to Adequate Protection. This Final Order is without prejudice to the rights, at any time of (a) any Debtor to seek approval from the Court, after notice and a hearing, to cease to provide any or all of the adequate protection set forth in this Final Order and (b) any Prepetition Lender to request additional adequate protection from the Court after notice and hearing, including payment of additional interest at the post-default rate as provided in the RCF Documents or SSCF Documents.

29. No Third Party Rights. Except as explicitly provided for herein, this Final Order does not create any rights for the benefit of any third party, creditor, equity holder or any direct, indirect, or incidental beneficiary.

30. Order Effective. This Final Order is immediately effective and enforceable, notwithstanding the possible applicability of Bankruptcy Rule 6004(h) or otherwise.

31. Retention of Jurisdiction. This Court retains jurisdiction with respect to all matters arising from or related to the enforcement of this Final Order.

Dated: November \_\_, 2017  
New York, New York

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United States Bankruptcy Judge