Hearing Date: 3/21/2018 at 2:00 p.m. (prevailing Eastern Time)
Objection Deadline: 3/14/2018 at 4:00 p.m. (prevailing Eastern Time)

TOGUT, SEGAL & SEGAL LLP
One Penn Plaza, Suite 3335
New York, New York 10119
(212) 594-5000
Albert Togut
Frank A. Oswald
Kyle J. Ortiz
Brian F. Moore

Counsel to the Debtors and
Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	:	Chapter 11
PACIFIC DRILLING S.A., *et al.*,[1]	:	Case No. 17-13193 (MEW)
Debtors.	:	(Jointly Administered)

DEBTORS' MOTION FOR AN ORDER PURSUANT TO SECTION 1121(d) OF THE BANKRUPTCY CODE EXTENDING THE DEBTORS' EXCLUSIVE PERIODS TO FILE A PLAN OF REORGANIZATION AND SOLICIT ACCEPTANCES

TO THE HONORABLE JUDGE MICHAEL E. WILES
UNITED STATES BANKRUPTCY JUDGE:

Pacific Drilling S.A. ("PDSA"), on behalf of itself and certain of its affiliates as debtors and debtors-in-possession (collectively, the "Debtors"), hereby make this application (the "Motion") for entry of (i) an order, substantially in the form attached hereto as Exhibit A (the "Order"), pursuant to section 1121(d) of title 11 of the

[1] 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.

United States Code (the "Bankruptcy Code"), extending for 120 days the exclusive periods in which the Debtors may file a chapter 11 plan of reorganization and solicit acceptances thereof and (ii) and a bridge order, substantially in the form attached hereto as Exhibit B (the "Bridge Order"), pursuant to Rule 9006-2 of the Local Rules for the United States Bankruptcy Court for the Southern District of New York (the "Local Rules"), extending through the later of (a) the hearing on the Motion scheduled for March 21, 2018 at 2:00 p.m. or (b) the date on which the Court resolves this Motion, the exclusive periods in which the Debtors may file a chapter 11 plan of reorganization and solicit acceptances thereof. The Debtors seek to (i) extend exclusivity (the "Exclusive Filing Period") for each of the Debtors through and including July 10, 2018, and (ii) extend the exclusive period to solicit acceptances of a chapter 11 plan for each of the Debtors (the "Exclusive Solicitation Period" and together with the Exclusive Filing Period, the "Exclusive Periods") through and including September 10, 2018.[2] In support of this Motion, the Debtors rely upon and incorporate by reference the Declaration of Paul T. Reese, Chief Executive Officer of Debtor PDSA (the "Reese Declaration"), attached hereto as Exhibit C, and respectfully state:

PRELIMINARY STATEMENT

This is the Debtors' first request to extend exclusivity. As explained below, a lot has been going on in these cases, mostly out of Court. The Court has primarily seen first day motions designed to stabilize the business, a consensual resolution of the U.S. Trustee's concerns about the Debtors' employee compensation plan, schedules that were filed on time, work being done on a business plan, and

[2] 120 days from expiration of the current Exclusive Filing Period is September 8, 2018, which lands on a Saturday. Thus, under Bankruptcy Rule 9006(a)(1)(c), the deadline would be the first non-holiday, non-weekend day, which is Monday, September 10, 2018.

preliminary plan negotiations with the major creditor constituencies. No one has complained that the Debtors are bleeding cash or has presented evidence that the value of the secured creditors' collateral is diminishing, and in fact, from the Petition Date through February 23, 2018, the Debtors have generated $7.7 million of positive cash flow when excluding adequate protection payments and the creditors' professional fees. As of the close of business on March 1, 2018, the Debtors held ample cash reserves of approximately $289 million. The Debtors are stable and no creditors are harmed by the extension of time needed to get to a plan.

Mostly though, after a contentious start to the chapter 11 cases, the Debtors have been working hard to jump-start meaningful restructuring negotiations. To that end, there have been numerous telephone conversations and face-to-face meetings between the Debtors and various major creditors and their professional advisors. An offer from the Debtors of terms on which they are prepared to consent to the mediation sought by the major creditors has been made which, if accepted by the parties, will pause and potentially end the litigation this Court has seen from the very beginning of this case. Indeed, the Debtors' term sheet for mediation (the "Mediation Term Sheet," a copy of which is attached hereto as Exhibit D) has been provided to the major creditor groups and if it is accepted, will result in a consent order that will make the prosecution of this Motion uncontested by all the major creditor constituencies. The Debtors' offer and Mediation Term Sheet are discussed later in this Motion.

Just as the Debtors stated at the outset of these cases, an effort was made to actively pursue restructuring negotiations in January on the basis of a revised term sheet from Quantum Pacific Gibraltar, Ltd. ("QP") that the Debtors received on January 16, 2018. Since that time, the Debtors' professionals have had three meetings (including in-person and telephonic meetings) with the professionals for each of the Ad Hoc

Group, the SSCF Agent, the SSCF Lenders, the RCF Agent, the RCF Lenders, and the Ad Hoc Group of RCF Lenders (the "Secured Creditor Parties") and a number of phone calls between the Debtors' financial advisors and advisors for creditor groups, and between and among Togut, Segal & Segal, LLP ("Togut") and the various lead counsel for the creditor groups.

At the same time, the Debtors have been doing a tremendous amount of work to ensure that chapter 11 plan negotiations are efficient and productive. They used the first 120 days of their chapter 11 cases to accomplish a number of vitally important tasks that will facilitate plan negotiations with their major creditor constituencies. The Debtors intend to use the requested 120-day extension to engage with the Secured Creditor Parties and their majority shareholder, QP, regarding a consensual chapter 11 plan.

The Debtors are developing a current business plan that reflects the best input available for the present market outlook for the Debtors' industry and their business. Several times and with different creditor constituencies, the importance of an up-to-date business plan that takes into account significant recent changes in oil prices and expectations for their evolution has been emphasized as the lynchpin for more substantive discussions. Now that the Debtors are operating in a chapter 11 context, negotiations require that the current outlook for the Debtors' industry and their specific business be carefully formalized in a business plan that is informed by, and has been vetted with, recognized industry specialists with expertise in developing outlooks for the Debtors' commodity-driven industry, and by bankruptcy specialists who are respected by the creditors. Once the business plan, which is currently being formulated, is completed, it will be shared with the professionals for the creditor groups who will be given the opportunity to diligence the plan with management and the

Debtors' advisors. This process is designed to give creditors comfort that the business plan has been informed by independent expert input and is therefore a reliable basis on which to build consensus for a plan of reorganization. It is also designed to avoid lengthy and costly litigation, and failing that, to provide the Court with the quality of evidence it would expect in a litigated plan confirmation process.

And in a chapter 11 case – especially this one – it is important to form an educated view about the Debtors' debt capacity so that when the Court confirms a plan, the ultimate result will not be a "Chapter 22." There is no point in doing this case quickly but wrong. Any investor or plan funder needs to know – in a reliable way – how the Debtors are projected to perform and how much go-forward liquidity they are expected to require. Again, for that, the finalization of an up-to-date business plan is needed.

Moreover, as detailed below, the Debtors are taking the necessary and typical steps to progress their chapter 11 cases and ensure that they can formulate and propose a feasible, confirmable plan that maximizes value for all parties in interest. In addition to the early-stage plan negotiations, the Debtors have accomplished, among others, the following critical tasks:

- Stabilizing their businesses by obtaining relief in the form of various "first day" and "second day" motions, implementing revised cash management systems, hiring and retaining estate professionals, complying with the various reporting requirements instituted by chapter 11, and preventing key employees from leaving the company in favor of competitors while the company is operating in a drilling market that is showing signs of improvement;

- Positioning operations for future success by negotiating contracts to keep certain of their rigs working and producing revenue, and to arrange rig visits for potential customers at their smart-stacked rigs;

- Working cooperatively with the U.S. Trustee to provide documents, information, and access to the Debtors' senior management, key employees,

and professionals in response to the U.S. Trustee's requests for information related to the Debtors' Compensation Programs (as defined below), which allowed the Debtors to reach a consensual resolution regarding the vast majority of the Compensation Programs and ultimately pay incentive-based bonuses to many of the Debtors' critical rank-and-file employees, which has helped the company stabilize and maintain its high-quality workforce;

- Working with three retained experts, who as of the date of this Motion have provided the Debtors with initial input, and preparing formal reports which the Debtors will use to help inform the Debtors' judgment with respect to their business plan forecast, debt capacity analysis, feasibility analysis, valuation, and liquidation analysis that the Debtors will utilize for plan of reorganization purposes;

- Putting the Secured Creditor Parties on a level informational playing field by voluntarily (i) completing production of over 12,000 pages of documents in response to the Secured Creditor Parties' Bankruptcy Rule 2004 discovery requests; (ii) providing the Secured Creditor Parties and others with access to a virtual data room that includes tens of thousands of additional pages of financial, operational, and legal information in response to due diligence requests; (iii) preparing a weekly liquidity analysis; (iv) seeking to schedule a management meeting with the creditors' advisors to update them on the 2018 budget, the Zonda Arbitration (as defined below), and business operations; and (v) offering to make available three members of the Board of Directors' Restructuring Committee and two members of senior management to respond to the Secured Creditor Parties' questions concerning corporate governance and Board independence;

- Concluding the four-week evidentiary portion of the Zonda Arbitration hearing in London which, if successful, will result in the recovery of potentially up to $350 million of unrestricted cash into the estates and the elimination of a potential prepetition unsecured claim against the Debtors of approximately $336 million, plus interest and costs;

- Responding to motions for an order appointing a mediator filed by the Ad Hoc Group, SSCF Agent, and RCF Agent; and

- Preparing a response to a request made to the U.S. Trustee by a shareholder for the formation of an equity committee.

The normal progression of a chapter 11 case is to stabilize operations while developing a go-forward business plan, and using that business plan as the basis for plan discussions. The Debtors will make use of forthcoming expert reports, discussed below, to complete an up-to-date business plan that will serve as one of the

key inputs for plan discussions, and they expect to have a version of that business plan to share with the Secured Creditor Parties in April.

While this important work is progressing, the Debtors are meeting with their creditors. That will continue. The Debtors expect March and April to be critical to progressing plan negotiations, and the Debtors will continue to meet with the various Secured Creditor Parties and QP. Simultaneously, under the leadership of management and the Debtors' advisors, the Debtors have made tremendous strides in stabilizing their operations and will continue to do so.

The Debtors' goal is a consensual – not a litigious – negotiation concerning their restructuring. For that to happen in an orderly way, they seek the requested extension to allow time for those negotiations to result in what is hopefully a consensual chapter 11 plan. As the Debtors stated at the February 20, 2018 hearing to consider the secured lenders' mediation motions, they are committed to reaching a deal. The requested extension is required to get there.

JURISDICTION AND VENUE

1. This Court has jurisdiction to consider this Motion under 28 U.S.C. §§ 157 and 1334 and the "Amended Standing Order of Reference" for the Southern District of New York, dated January 31, 2012. This is a core proceeding under 28 U.S.C. § 157(b). Venue is proper in this district under 28 U.S.C. §§ 1408 and 1409.

2. The statutory predicate for the relief requested herein is Bankruptcy Code section 1121(d).

FACTUAL BACKGROUND

3. PDSA is an offshore drilling company formed in 2011 under the laws of Luxembourg, and its subsidiaries provide global ultra-deep water drilling

services to the oil and natural gas industry through the use of high-specification drillships.

4. On November 12, 2017 (the "Petition Date"), each of the Debtors filed with the Court a voluntary petition for relief under chapter 11 of 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. On the Petition Date, the Debtors filed a motion with the Court pursuant to Bankruptcy Rule 1015 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.

5. 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* [Docket No. 2] and the *Declaration of James A. Mesterharm in Support of First Day Motions and Applications* [Docket No. 14], each of which is incorporated herein by reference (together, the "First Day Declarations").[3]

RELIEF REQUESTED

6. Section 1121(b) of the Bankruptcy Code provides for an initial 120-day period after the Petition Date within which the Debtors have the exclusive right to file a Chapter 11 plan of reorganization. Section 1121(c) of the Bankruptcy Code further provides for an initial 180-day period after the Petition Date within which the Debtors have the exclusive right to solicit and obtain acceptances of a plan of reorganization if a

[3] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the First Day Declarations.

plan has been filed during the first 120-day period. Thus, the Exclusive Filing Period is set to expire on March 12, 2018, and the Exclusive Solicitation Period is set to expire on May 11, 2018.

7. The Debtors request, pursuant to section 1121(d) of the Bankruptcy Code, entry of an order extending the Exclusive Filing Period for 120 days through and including July 10, 2018 and the Exclusive Solicitation Period for 120 days through and including September 10, 2018 for cause, without prejudice to the Debtors' right to seek further extensions of the Exclusive Periods.

BASIS OF RELIEF REQUESTED

8. Pursuant to section 1121(d) of the Bankruptcy Code, the Court may extend the Exclusive Periods for cause. *See* 11 U.S.C. § 1121(d) ("[O]n request of a party in interest made within the respective periods specified in subsections (b) and (c) of this section and after notice and a hearing, the court may for cause reduce or increase the 120-day period or the 180-day period referred to in this section.").

9. The Exclusive Periods established by Congress were incorporated into the Bankruptcy Code to afford a full and fair opportunity for a debtor to propose a chapter 11 plan and solicit acceptances of the plan without interference from creditors. *See In re Texaco Inc.*, 81 B.R. 806, 809 (Bankr. S.D.N.Y. 1988) (citing H.R. Rep. No. 595, 95th Cong., 2d Sess. 221-222 (1978), U.S. Code Cong. & Admin. News 1978, p. 5787). Extending the Exclusive Filing Periods, as requested, will provide the Debtors with a fair opportunity to accomplish this objective. Although the Debtors have the exclusive right to propose a chapter 11 plan, they will continue to meaningfully engage with the Secured Creditor Parties and QP during the extension in furtherance of reaching a consensual chapter 11 plan.

10. The Bankruptcy Code neither defines the term "cause" for purposes of section 1121(d) of the Bankruptcy Code nor establishes formal criteria for an extension of the Exclusive Periods. The legislative history of section 1121 of the Bankruptcy Code indicates, however, that it is intended to be a flexible standard to balance the competing interests of a debtor and its creditors. *See* H.R. Rep. No. 95-595, at 231-32 (1978), reprinted in 1978 U.S.C.C.A.N. 5963 (noting that Congress intended to give bankruptcy courts great flexibility to protect a debtor's interests by allowing a debtor an unimpeded opportunity to negotiate settlement of debts without interference from other parties in interest).

11. In exercising its broad discretion, a bankruptcy court may consider a variety of factors to assess the totality of circumstances in each case and to determine the existence of "cause" under section 1121(d) of the Bankruptcy Code. *See In re Borders Grp., Inc.*, 460 B.R. 818, 821-22 (Bankr. S.D.N.Y. 2011) ("The determination of cause under section 1121(d) is a fact-specific inquiry and the court has broad discretion in extending or terminating exclusivity."); *In re Adelphia Commc'ns Corp.*, 352 B.R. 578, 587 (Bankr. S.D.N.Y. 2006) (identifying objective factors courts historically have considered in determining whether cause exists to extend or terminate exclusivity); *see also In re McLean Indus., Inc.*, 87 B.R. 830, 834 (Bankr. S.D.N.Y. 1987) (identifying factors used by courts to determine whether cause exists to extend exclusivity); *In re Dow Corning Corp.*, 208 B.R. 661, 664-65 (Bankr. E.D. Mich. 1997) (same); *In re Express One Int'l, Inc.*, 194 B.R. 98, 100 (Bankr. E.D. Tex. 1996) (same). These factors (the "*Adelphia* Factors") are not exclusive and include, without limitation:

a) the size and complexity of the debtor's case;

b) the necessity for sufficient time to permit the debtor to negotiate a chapter 11 plan and prepare adequate information;

c) the existence of good faith progress towards reorganization;

d) the fact that the debtor is paying its bills as they become due;

e) whether the debtor has demonstrated reasonable prospects for filing a viable plan;

f) whether the debtor has made progress in negotiations with its creditors;

g) the amount of time which has elapsed in the case;

h) whether the debtor is seeking an extension of exclusivity in order to pressure creditors to submit to the debtor's reorganization demands; and

i) whether an unresolved contingency exists.

In re Adelphia Commc'ns. Corp., 352 B.R. at 587 (noting that the nine factors listed above are "objective factors which courts historically have considered in making determinations of this character"); *see also In re Borders Grp.*, Inc., 460 B.R. at 822-28 (evaluating the nine factors set forth in *Adelphia* to hold that debtor established cause to extend exclusivity); *In re Express One Int'l, Inc.*, 194 B.R. at 100 (identifying all of the nine factors as relevant in determining whether cause exists to extend exclusivity); *In re United Press Int'l, Inc.*, 60 B.R. 265, 269 (Bankr. D.C. 1986) (holding that debtor showed cause to extend exclusive period based upon certain of the nine factors). The exercise of the Court's discretion is based upon the totality of the circumstances.

12. The application of the *Adelphia* Factors to the facts and circumstances of these chapter 11 cases demonstrates that the requested extensions—the first in these cases—are both appropriate and necessary to afford the Debtors adequate time to reach a consensual resolution of these cases or, if consensus cannot be reached, to propose a value-maximizing chapter 11 plan that is confirmable over the objection of parties in interest.

I. The Debtors' Chapter 11 Cases Are Large and Complex: *Adelphia* Factors (a) and (b).

13. The Debtors' chapter 11 cases are unquestionably large and complex and require the Debtors to navigate a host of complex issues. The Debtors entered chapter 11 holding more than $3 billion of third-party debt—one of the largest chapter 11 filings of 2017 in any jurisdiction.

14. They are also complex, despite the assertions made earlier in these cases by certain parties. These cases involve far more than seven floating hunks of steel, as the Secured Creditor Parties have argued in Court.

15. The Debtors operate in a global commodity driven industry, the outlook for which shifts with changes in expectations for the outlook of oil and gas prices, the drilling plans of major international oil companies, and the global and regional supply and demand for the large, sophisticated, and capital-intensive drillships of the type the Debtors operate. Building consensus about the outlook for the industry in which the Debtors operate and its implications for the Debtors' own performance outlook is anything but a simple exercise. The challenge in doing so is exacerbated by the significant changes that have been experienced in the prices of oil and gas, including the very significant changes in these prices that have occurred in the last 12 months. Precisely because of these complexities, the Debtors are prudently utilizing the knowledge and credibility of the experts retained to inform the completion of the Debtors' business plan.

16. The assertions made by certain parties that these cases simply involve seven hunks of floating steel also ignore other significant complexities. Besides the Debtors' sophisticated fleet of high-specification, ultra-deep water drillships, their customers also rely heavily on the Debtors' dedicated and highly specialized people

and a solid performance-driven management system which are all key to providing safe, reliable, and a consistent quality of ultra deep water drilling services. Such services are highly technical in nature, in water depths up to 12,000 feet, with vertical/directional drilling depths up to 30,000/40,000 feet, and involve the Debtors' specialized drilling, marine and maintenance crews (close to 100 people are on board at any one time), in addition to several subcontracted well service providers. All these elements speak to the highly sophisticated nature of offshore drilling in an ultra deep-water environment.

17. The Debtors' seven high-specification floating rigs cost more than $5 billion, are designed for wells in ultra deep water regions, and are contracted for wells in the deep water regions of the U.S. Gulf of Mexico and West Africa. The Debtors have one of the most sophisticated and modern fleets in the world. Ships not now in service have been "smart stacked" for quick redeployment by implementing an innovative, low-cost stacking solution while continuing to upkeep the vessels and maintain class status, allowing the Debtors to retain full flexibility to redeploy their vessels in a short time span. That is unique to the Debtors.

18. The Debtors have more than 700 employees and maintain hundreds of contracts with vendors to support their complex global operations.

19. The Debtors' capital structure encompasses two bank credit facilities, one Term Loan B credit facility, and two bond indentures in three entirely separate silos with an aggregate outstanding principal amount of approximately $3 billion and an approximately $2.2 billion equity investment from their shareholders, including $1.6 billion from QP. The incongruent collateral packages and the Debtors' significant unencumbered assets in the form of their cash and potential cash infusion that could result from the Zonda Arbitration create complexities that all parties have been working to more fully comprehend. Further complicating matters, the Debtors

have $6.4 billion in valid, intercompany loans that crisscross among company entities in separate debt silos, and among non-guarantors and even the Debtors' non-Debtor affiliates. As these facts demonstrate, these cases are not "simple."

20. The fractured and shifting makeup of the Debtors' creditor counterparties has also increased the complexity of plan negotiations in these chapter 11 cases. For example, the Ad Hoc Group is made up of approximately six large institutions that collectively hold the majority of the Debtors' Term Loan B, 2020 Notes, and 2017 Notes. *See generally Amended Verified Statement of the Ad Hoc Group of Debtholders Pursuant to Bankruptcy Rule 2019* [Docket No. 238]. The Ad Hoc Group's disparate holdings and desire to remain unrestricted[4] in the chapter 11 cases have made plan negotiations with the group challenging. The Debtors are hopeful that continuing plan negotiations will be helpful not only in facilitating consensus among the groups, but also within groups.

21. Congress and the courts have recognized that the size and complexity of a debtor's case alone may constitute cause for the extension of the Exclusive Filing Period. "[I]f an unusually large company were to seek reorganization under chapter 11, the court would probably need to extend the time in order to allow the debtor to reach an agreement." *H.R. Rep. No*. 95-595, at 232 (1978), reprinted in 1978 U.S.C.C.A.N. 5963. In *In re Texaco Inc*., the court stated:

> The large size of a debtor and the consequent difficulty in formulating a plan . . . for a huge debtor with a complex financial structure are important factors which generally constitute cause for extending the exclusivity periods.

[4] Despite the Debtors' repeated efforts to advance plan negotiations by having the members of the Ad Hoc Group become restricted, the members of the Ad Hoc Group have only been willing to restrict themselves for a total of 10 days during the course of these chapter 11 cases. It was during this short restricted period that the two primary postpetition proposals were made by QP and the Ad Hoc Group.

76 B.R. 322, 326 (Bankr. S.D.N.Y. 1987).

22. In cases of this size and complexity, the initial 120 days automatically afforded by Congress is inadequate to get to a plan. More time is needed to evaluate the universe of assets belonging to, and claims asserted against, the estates, negotiate with creditor constituencies, and to prepare a disclosure statement containing adequate information. Courts in this District regularly extend the Exclusivity Periods in cases of similar size and complexity. *See e.g., In re Breitburn Energy Partners LP*, Case No. 16-11390 (Bankr. S.D.N.Y. Dec. 14, 2016) (Dkt. Nos. 453, 844) (60 days, including a 30 day bridge and 30 day extension); *In re AOG Entm't, Inc.*, Case No. 16-11090 (Bankr. S.D.N.Y. Sept. 2, 2016) (Dkt. No. 357) (60 days); *In re SunEdison*, Case No. 16-10992 (Bankr. S.D.N.Y. July 21, 2016) (Dkt. No. 970) (90 days); *In re Relativity Fashion, LLC*, Case No. 15-11989 (Bankr. S.D.N.Y. Nov. 12, 2015) (Dkt. No. 967) (80 days); *In re Tronox Inc.*, Case No. 09-10156 (Bankr. S.D.N.Y. May 8, 2009) (Dkt. No. 414) (120 days).

II. The Debtors Have Made Substantial Progress in These Chapter 11 Cases: *Adelphia* Factors (c), (e) and (f).

23. The Debtors have made substantial progress since filing for chapter 11 and are seeking an extension of the Exclusive Periods to take the inputs that they have been working to develop and formulate and propose a confirmable, and hopefully consensual, chapter 11 plan. Much of this progress has been out of the view of the Court but is nonetheless vital to ensure that the Debtors, the Secured Creditor Parties, and QP have all the information they need for plan discussions. Below is a summary of just some of the things the Debtors have done in furtherance of these cases since the Petition Date.

a. Plan Negotiations

24. Prior to the February 20, 2018 hearing (the "Mediation Hearing") to consider the mediation motions filed by the Ad Hoc Group, SSCF Agent, and RCF Agent (collectively, the "Mediation Motions"), QP presented the Debtors with a revised equitization proposal on January 16, 2018, which was subsequently presented by the Debtors to the Ad Hoc Group. After the urging of the Court on January 18, 2018, the members of the Ad Hoc Group agreed to become restricted from trading for 10 days, and the Debtors, QP, and the Ad Hoc Group held a formal, in-person negotiation session with principals concerning the QP proposal on January 25, 2018. The independent Restructuring Committee of the Debtors' Board of Directors has convened several times to discuss the QP proposal, as well as a counterproposal submitted by the Ad Hoc Group on January 30, 2018. Following the failure to reach a consensual agreement after the January 30 proposal, the Ad Hoc Group withdrew from negotiations and required the Debtors to cleanse materials they had been provided so that their members could once again be "unrestricted" and free to trade the Debtors' securities. The Debtors also separately held formal negotiation sessions with (i) the advisors to QP and the advisors to the SSCF Lenders, and (ii) with the advisors to QP and advisors to the RCF Lenders. The Debtors have also been working to facilitate meetings with management at the request of certain of the Secured Creditor Parties.

25. Since the Mediation Hearing, the Debtors have accelerated their outreach to the Secured Creditor Parties, and have made substantial progress in creating a framework for plan negotiations. Those discussions have continued through the filing of this Motion. Specifically, the Debtors' professionals have had at least three formal meetings (and numerous telephonic discussions) with the professionals for each of the Secured Creditor Parties. The Debtors' financial advisors and investment bankers

have also routinely been in contact with the Secured Creditor Parties' advisors in response to the Secured Creditor Parties' diligence requests.

26. In sum, the Debtors have not been sitting idly by these past several months. Rather, in line with what the Court was told at the outset of these cases, the Debtors have been working diligently since January to engage in meaningful and productive reorganization plan negotiations with all of their major stakeholders. At the Court's urging, the Debtors have further accelerated those efforts since late January, and believe they have made substantial progress in creating a framework for plan negotiations, as evidenced by the Debtors' recent Mediation Term Sheet. While the Debtors share the Court's desire to see more progress towards resolution, a solid foundation has been put in place in the first 120 days of these cases, and another 120 days of exclusivity is customary, necessary and appropriate to give the Debtors an opportunity to reach a consensual resolution with their major constituencies.

b. Providing Information to the Secured Creditor Parties and Mediation Response

27. At the same time that the Debtors were spending time and resources responding to the premature Mediation Motions, they were also voluntarily providing the Secured Creditor Parties with vast amounts of information to assist in plan negotiations. On February 16, 2018, the Debtors completed the production of over 12,000 pages of documents (the "Document Production") to the Secured Creditor Parties, despite the Court's denial of the Secured Creditor Parties' extremely broad Bankruptcy Rule 2004 discovery requests. The voluntary decision to make the significant Document Production was made with the intention of advancing the ultimate plan negotiations. This Document Production will aid in chapter 11 plan discussions because the Document Production provided the Secured Creditor Parties

with a high degree of visibility into the Debtors' business, the Secured Creditor Parties' collateral, and the deliberations of the Debtors' Board of Directors leading to the chapter 11 filing. The Document Production included, among the more than 25 categories of documents, two years' worth of Board materials, proposals exchanged with certain of the Secured Creditor Parties, materials exchanged with QP, budgets, appraisals, customer and intercompany contracts, materials related to the *Pacific Zonda* arbitration (the "Zonda Arbitration"), materials detailing intercompany transfers, and information regarding share and indebtedness repurchases. This effort required substantial amounts of time from key members of the Debtors' management and professionals.

28. In addition, the Debtors have provided the Secured Creditor Parties with access to a virtual data room that contains tens of thousands of additional pages of documents in response to numerous diligence requests for a variety of operational, financial, and legal information. These produced materials include legal documents related to the capital structure, information regarding the company's intercompany balances, operational data, financial data, industry information, and more. The Debtors have also offered to make available three members of the Board of Directors' Restructuring Committee and two members of senior management to respond to the Secured Creditor Parties' questions concerning corporate governance and Board independence.

29. Providing this information required significant time and effort from key employees at the company and the Debtors' professionals, and is vital to facilitating the forthcoming negotiation process. As the Secured Creditor Parties reported to the Court at the Mediation Hearing, the Secured Creditor Parties have views on valuation and the Debtors' assets, and those views have been informed by the

extensive efforts of the Debtors and their professionals to provide the Secured Creditor Parties with documents and information.

30. Further, by voluntarily undertaking the Document Production and providing additional information in response to diligence requests, the Debtors, QP, and the Secured Creditor Parties now have a level playing field from an informational perspective, which should aid the parties in reaching a consensual resolution.

31. It should be noted that there has been a drain on management, in part due to aggressive actions taken by creditors in the initial exclusivity period. As the Court observed, the Bankruptcy Rule 2004 motion brought by certain of the Secured Creditor Parties "was the single most unnecessarily and unreasonably overbroad document request [the Court has] ever seen." *January 18, 2018 Hr'g Tr.* at 18:24-19:1.

32. Although the Bankruptcy Rule 2004 motion was denied, it took a lot of work for the Debtors to complete their 12,000-page Document Production. And responding to the premature mediation motions, which under the S.D.N.Y. General Order M-452 could not have been granted, was also time-consuming.

33. The due diligence sought by the U.S. Trustee was also very labor intensive and required management to divert its attention to that work. On top of this, the evidentiary portion of the Zonda Arbitration hearing took several members of senior management and key employees to London for three weeks, and required significant time from the Debtors' personnel in preparation for the Zonda Arbitration. Put it all together, and management has had to deal with some extraordinary and time-consuming tasks that were mostly unique to these chapter 11 cases and out of the ordinary course of business.

c. Employee Compensation Programs and Equity Committee Response

34. The Debtors provided an enormous amount of documents, information, and access to the Debtors' senior management, key employees, and the Debtors' professionals in response to the U.S. Trustee's requests for information related to the Debtors' Performance Bonus Program, Long-Term Incentives, and Non-Insider Retention Awards (together, the "Compensation Programs"). As counsel for the U.S. Trustee described during the February 22, 2018 hearing, the U.S. Trustee has "been very pleased with the cooperative nature of the company to provide us on a voluntary basis without formal litigation documents that we needed that set forth the terms of the various plans." *See February 22, 2018 Hr'g Tr.* at 15:18-21.

35. The Debtors' cooperation with the U.S. Trustee allowed the Debtors to reach a consensual resolution with the U.S. Trustee with regard to a majority of the Compensation Programs and ultimately pay ordinary course incentive-based bonuses to an overwhelming majority of the Debtors' rank-and-file employees. *See generally Order Authorizing, but Not Directing, the Debtors to Pay Certain Earned Ordinary Course Compensation under the 2017 Performance Bonus Plan* [Docket No. 230]. This has been a boost to employee morale.

36. The Debtors also spent a significant amount of time preparing a response to a request made for the formation of an equity committee.

d. Stabilizing Operations and Positioning for Future Success

37. Like many large, multi-national companies that seek chapter 11 protection, the essential process of stabilizing the Debtors' business is a focal point for the first 120 days of the case. This intensive process includes efforts by the company and its professionals made both in and out of Court, such as obtaining relief in the form of various "first day" and "second day" motions, implementing revised cash

management systems, hiring and retaining estate professionals, complying with the various reporting requirements instituted by chapter 11, and working to keep key employees, vendors, and customers from leaving the company in favor of competitors.

38. For example, subsequent to the first day hearing in these cases, the Debtors and their professional advisors spent a significant amount of time and effort reaching a consensual agreement with the Secured Creditor Parties regarding adequate protection and the postpetition operation of the Debtors' complex cash management system. After approximately four weeks of intensive negotiations, consensual orders were presented to the Court for entry on December 12, 2017. Those orders ensured adequate protection for the Secured Creditor Parties and resolved complex issues around the operation of the Debtors' centralized cash management system, which was critical to the Debtors' ability to continue operating in the ordinary course.

39. The Debtors also negotiated and entered into a new contract with Petronas in West Africa that provides the customer with certain integrated services beyond the Debtors' normal drilling operations. This unique contract, which has provided the Debtors additional liquidity during these cases, required significant time and effort from management. Similarly, the Debtors have been negotiating additional contracts to keep certain of their rigs working and producing revenue.

40. The Debtors have also been focused on taking steps to ensure they emerge a stronger enterprise that is well positioned to take advantage of the anticipated market recovery. This includes developing a strategy with regard to securing contracts for their rigs that benefit all their constituents, and they are in discussions regarding putting additional rigs back to work in the near term. These efforts have also involved regular, on-going communications with potential customers. The Debtors have also spent significant time instituting their modified smart stack process on several rigs to

save liquidity in the short term, while arranging rig visits for potential customers of their smart stacked rigs so that potential customers can assess the readiness of the Debtors' rigs to quickly return to service. The results of these coordinated efforts must be incorporated into the forthcoming business plan.

e. Zonda Arbitration

41. The Debtors have committed significant resources to the Zonda Arbitration. The Debtors only recently concluded the four-week evidentiary portion of the arbitration hearing before a three-person tribunal in London. Prosecution of the Zonda Arbitration required an enormous amount of time from the Debtors' senior management and key employees, including Lisa Buchanan, the Debtors' General Counsel, and John Boots, the Debtors' Chief Financial Officer, both of whom were required to be in London for nearly the entirety of the Zonda Arbitration hearing. This was a prudent allocation of resources because, if successful, the Zonda Arbitration will result in the recovery of up to $350 million of unrestricted cash into the estates and the elimination of a potential prepetition unsecured claim against the Debtors of approximately $336 million, plus interest and costs—significantly impacting plan discussions and the options available to the Debtors.

f. Chapter 11 Plan Inputs

42. In furtherance of chapter 11 plan formulation and discussions, three separate experts were retained to provide the necessary data inputs that will assist the Debtors' primary professionals with the completion of the Debtors' business plan and the development of a plan proposal. Analysis Group, Inc. ("AGI"), Rystad Energy, AS ("Rystad"), and Fearnley Securities AS ("Fearnley" together with AGI and Rystad, the "Experts") were retained in February 2018 and bring unique perspectives to key questions affecting these chapter 11 cases. AGI has been retained to inform an oil and

gas commodity price forecast for reorganization and plan purposes. Rystad has been retained to, among other things, utilize its prodigious proprietary database of global upstream projects and associated demand for deep water drilling services to inform a long term utilization rate and day rate forecast for reorganization plan purposes. Fearnley has been retained to, among other things, complement the utilization rate and day rate forecasts prepared by Rystad with its own market-based intelligence on utilization and day rates and to estimate drillship asset values.

43. While the Experts are conducting their respective analyses, the Debtors and their professionals are working to complete other elements of the business plan in parallel with the work conducted by the Experts. As of the date of this Motion, each of the Experts have provided preliminary input to the Debtors and are preparing formal reports with up-to-date estimates in their areas of expertise. Management is now actively considering this initial input, and management expects its judgment with respect to the completion of its business plan to be informed by the forthcoming formal reports, as will the debt capacity analysis, feasibility analysis, valuation, and liquidation analysis that the Debtors will utilize for plan of reorganization purposes.

44. The Debtors are working to provide a copy of the business plan to the Secured Creditor Parties and QP in April. Before sharing a final business plan with external parties, the Debtors must first present the business plan to the Restructuring Committee and ultimately, the full Board of Directors for approval. Neither the Restructuring Committee nor the Board of Directors is a rubber stamp. To the contrary, the Restructuring Committee and the Debtors' Board is made up of directors with extensive industry experience and directors with extensive restructuring experience. Thus, it is expected that the Board will be actively involved in this process and will

provide significant, substantive, and insightful input on the business plan in advance of it being shared with creditors.

45. These current estimates are critical to plan formulation and analysis because of the inherent volatility and cyclicality of commodity prices affecting the ultra-deep water offshore drilling industry. These Experts' views will help inform the Debtors and other parties in interest as the Debtors move forward to broker a consensual chapter 11 plan that is both acceptable to their creditor constituents and satisfies the complex requirements of section 1129 of the Bankruptcy Code.

46. Though these refreshed views on asset valuation and industry outlook are critical to the ultimate formulation of the plan of reorganization, as described above, the Debtors have nonetheless negotiated with their creditor constituencies formally and informally since the Petition Date.

47. In light of the foregoing, there can be no doubt that the Debtors have acted diligently to make progress on a number of fronts during the initial months of these chapter 11 cases, and that they intend to continue to do so for the remainder of these cases. The Debtors, therefore, respectfully submit that their significant progress demonstrates ample cause to extend the Exclusive Periods under *Adelphia* Factors (c), (e) and (f).

III. The Extension Will Not Harm Any Party and Will Benefit the Debtors' Stakeholders: *Adelphia* Factors (g), (h), and (i).

48. This Motion is the Debtors' first request for an extension of the Exclusive Periods. The Debtors are not seeking an extension to unfairly prejudice or pressure creditors. To the contrary, the requested extension will capitalize on the Debtors' substantial progress to date and enable the Debtors and each of their key stakeholders, including the Secured Creditor Parties and QP, to fully explore and

develop the terms of a global resolution that can be reached without undue delay and at minimal cost.

49. As of close of business on March 1, 2018, the Debtors still hold approximately $289 million in cash. Even with some of their fleet in smart stack mode, the Debtors are still earning sufficient revenue from their contracts to be in a strong financial position through the requested 120-day extension of the Exclusive Periods.

50. Further, there is no indication that the Debtors' primary assets (and the Secured Creditor Parties' primary collateral)—their seven vessels—have declined in value in any significant way during these chapter 11 cases. There is also no indication that these vessels will significantly decline in value in the next 120 days. *See Mediation Hearing Tr.* at 28:17-22 (J. Wiles stating "But we're three months into this case and for all the dire statements that have been made to me about how at risk the secured creditors are, nobody's ever given me any evidence that there's anything that is - that has put them at risk, that they're – that the values are declining, whether the positioning is worsening."). Even if there were some indication that such a decline might be imminent (and there is not), the Secured Creditor Parties are protected from such diminution by the consensual Adequate Protection Order [Docket No. 83] entered by this Court. That Adequate Protection Order permits the Secured Creditor Parties to file superpriority claims for diminution, payable from the Debtors' significant unrestricted cash reserves.

51. The lack of an imminent fiscal meltdown at the company does not mean that the Debtors and their professionals are acting without a sense of urgency or that they are seeking a "hibernation strategy." *See Motion for an Order Pursuant to Local Bankruptcy Rule 9019-1 and General Order M-452 Ordering Mediation and Appointing Mediator* [Docket No. 185] at ¶ 5. To the contrary (and as described throughout this

Motion), the Debtors have demonstrated a willingness to communicate with and provide relevant information to parties in interest – including the Secured Creditor Parties and QP – throughout the reorganization process in an effort to advance towards a consensual chapter 11 plan. Further, the Debtors indicated at the Mediation Hearing that they are committed to negotiating with their creditors and are not seeking to propose a chapter 11 plan which will unfairly prejudice or pressure creditors or have to be litigated. More specifically, Mr. Togut stated on the record:

> Please ask everybody to take a deep breath. Let's have a reset here. Let's not litigate. Let's negotiate, and let's get on with this case without all this litigation and try to get to a constructive, consensual resolution. We're committed to do that. If they're committed to do that there's a deal to be made.

Mediation Hr'g Tr. at 33:8-13, Case No. 17 -13193 (MEW) (Bankr. S.D.N.Y. Feb. 20, 2018).

52. This was not an empty promise. The Debtors have determined that the best path forward is to establish a process with the Secured Creditor Parties and obtain their buy-in to move forward with a robust plan negotiation process.

53. Granting the requested extension of the Exclusive Periods will not be used to pressure creditors. Quite the opposite. It is to work with the Secured Creditor Parties and QP toward a chapter 11 plan. Therefore, the Debtors respectfully submit that *Adelphia* Factors (g), (h), and (i) are satisfied.

IV. Important Contingencies Must Be Resolved by the Debtors: *Adelphia* Factor (i).

54. Courts have recognized, as a justification for extending the Exclusivity Periods, the need to resolve an important contingency. *See e.g.*, *Adelphia Communc'ns*, 352 B.R. at 587-88. The Debtors have just wrapped up the lengthy evidentiary hearing in the Zonda Arbitration, which could bring nearly $350 million of unencumbered cash back into the estates and have a meaningful impact on plan

negotiations. The Zonda Arbitration could also result in a claim against the estates. Thus, the parties' negotiations will unquestionably be impacted by the outcome of the Zonda Arbitration.

V. The Debtors Are Meeting Their Postpetition Obligations: *Adelphia* Factor (d).

55. Finally, Courts considering an extension of a debtor's exclusive period also assess the debtor's liquidity. *See Texaco*, 76 B.R. at 323. Here, the Debtors have sufficient liquidity to pay the ordinary course postpetition claims during the requested extension period based on projected cash flows. As of close of business on March 1, 2018, the Debtors have approximately $289 million in unencumbered cash on hand, and sufficient liquidity to pay the ordinary course postpetition claims during the requested extension period. Their cash position and ability to continue to pay ordinary course postpetition claims remains strong. Accordingly, granting the requested extension will not jeopardize the rights of creditors who do business with the Debtors during these chapter 11 cases.

THE DEBTORS' MEDIATION OFFER

56. After the Mediation Hearing on February 20, 2018, the Debtors' full Board of Directors met on February 22, 2018 to discuss the status of these cases and the important comments and guidance provided by the Court at the Mediation Hearing. Although the Debtors opposed the Secured Creditor Parties' Mediation Motions as premature, the Debtors have come to recognize that at some point, mediation will likely be needed to reach a consensual plan.

57. As was argued on February 20th at the Mediation Hearing, mediation cannot be ordered at this time under this Court's General Order M-452. The only way a mediation order can be entered is if the Debtors consent.

58. When the Debtors' full Board of Directors was convened for a special meeting on Thursday, February 22, 2018, it resolved that the Debtors would consent to participate in mediation, provided that the mediation be on reasonable terms as proposed by the Debtors to the Secured Creditor Parties and QP.

59. Among these reasonable terms is the Debtors' proposed appointment of retired Bankruptcy Judge James Peck to serve as the mediator. Judge Peck has had considerable success in mediating cases and most importantly, has the time to fully engage in this particular mediation. His appointment at this early stage also avoids the problem identified by the Court at the Mediation Hearing that a sitting bankruptcy judge may not be the best mediator in these circumstances given the early stages of negotiations and lack of a specifically identified dispute. *See, e.g., Mediation Hr'g Tr.* at 50:18-23 ("I tend to agree that things are not at a point where it is ripe for mediation. I would feel like I was imposing quite a bit on another [sitting] judge who would be asked not merely to mediate a dispute, but to round up the parties to even identify exactly where the dispute is. And that's going a little far.").

60. Appointing Judge Peck avoids this problem. The Debtors' offer allows Judge Peck to do the things required to lay the foundation for a fulsome, successful mediation while the Debtors complete work on their business plan and other financial models. Both work streams should coincide at about the same time. This will also allow the Secured Creditor Parties to get what they say they want: a mediation starting now.

61. The other key term of the Mediation Term Sheet is that the Secured Creditor Parties consent to an extension of the Exclusive Periods until the later of 120 days or one week after the end of mediation. The Debtors believe that it is both eminently reasonable and appropriate for exclusivity to be extended while all parties

engage in mediation. Without such agreement, there might be ongoing disputes about the Debtors' exclusivity and, if exclusivity were terminated, competing chapter 11 plans filed with the Court, all of which would substantially or completely undermine the purpose of mediation itself – to increase the chances that the Debtors and major parties in interest can reach consensus on a chapter 11 plan.

62. The Debtors' proposal, and its disclosure to the Court, is meant to highlight for all parties the Debtors' desire to reset the relationship with the Secured Creditor Parties necessary to achieve a consensual plan. Even before the Mediation Term Sheet was shared, its contents were socialized through a number of telephonic and in-person meetings between the Debtors' counsel and lead counsel for the Secured Creditor Parties. Only after initial discussions with parties in interest to solicit their views and inform them of the Debtors' desire to reach agreement around the terms of mediation was the Mediation Term Sheet prepared and circulated.

63. Another crucial benefit of the Debtors' mediation proposal is that QP will consent to participate in the mediation, something that, as the Court noted, cannot be ordered without QP's consent. Having QP bound to participate in the mediation – as required under the Debtors' Mediation Term Sheet – is highly significant. Among other things, QP's participation will ensure the adequate representation of shareholder interests in the restructuring negotiations that are expected to occur.

64. Further, if the Mediation Term Sheet is accepted, litigating this Motion with the Debtors' major creditors will not be necessary. Under the Mediation Term Sheet, the (i) Debtors' Exclusive Filing Period is extended for 120 days or until one week after the mediation concludes; and (ii) in each case, the Debtors' Exclusive Solicitation Period is extended for sixty days thereafter.

65. Unfortunately, this Motion was required to be filed before discussions regarding the proposed mediation reflected in the Mediation Term Sheet could be concluded. It is hoped that before the March 21, 2018 hearing date, when arguments regarding this Motion and the Mediation Motions are scheduled to be heard by this Court, an agreement with the Secured Creditor Parties and QP on the Mediation Term Sheet can be reached, paving the way for an uncontested hearing to approve an exclusivity extension.

NOTICE

66. 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 of the Debtors' prepetition secured lenders; (c) counsel to each of the agents and the ad hoc group of the Debtors' prepetition debt; (d) the Internal Revenue Service; (e) the Securities 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.

[Concluded on Following Page]

NO PRIOR REQUEST

67. No previous request for the relief sought herein has been made to this Court or any other court.

CONCLUSION

WHEREFORE, the Debtors respectfully request that the Court enter an order, substantially in the form attached hereto as Exhibit A and Exhibit B, granting the relief requested herein, and such other and further relief as may be just and proper.

Dated: New York, New York
March 6, 2018

PACIFIC DRILLING S.A., *et al*.
Debtors and Debtors-in-Possession
By their Counsel:
TOGUT, SEGAL & SEGAL LLP
By:

/s/ Albert Togut
ALBERT TOGUT
FRANK A. OSWALD
KYLE J. ORTIZ
BRIAN F. MOORE
One Penn Plaza, Suite 3335
New York, New York 10119
Telephone: (212) 594-5000
Fax: (212) 967-4258

EXHIBIT A

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	:	Chapter 11
PACIFIC DRILLING S.A., *et al.*,	:	Case No. 17-13193 (MEW)
Debtors.[1]	:	(Jointly Administered)

ORDER PURSUANT TO SECTION 1121(d) OF THE BANKRUPTCY CODE EXTENDING EXCLUSIVE PERIODS DURING WHICH DEBTORS MAY FILE A PLAN OF REORGANIZATION AND SOLICIT ACCEPTANCES

Upon consideration of the application (the "Motion")[2] of the above-captioned debtors and debtors in possession (collectively, the "Debtors") for entry of an order (this "Order") under section 1121(d) of the Bankruptcy Code (i) extending the exclusive period to file a chapter 11 plan (the "Exclusive Filing Period") for each of the Debtors through and including July 10, 2018, and (ii) extending the exclusive period to solicit acceptances of a chapter 11 plan (the "Exclusive Solicitation Period" and, together with the Exclusive Filing Period, the "Exclusive Periods") for each of the Debtors through and including September 10, 2018; and this Court having jurisdiction to

[1] 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.

[2] Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and sufficient notice of the Motion having been provided; and it appearing that no other or further notice need be provided; and the relief requested being a reasonable exercise of the Debtors' sound business judgment consistent with their fiduciary duties and in the best interests of the Debtors, their estates and their creditors; and after due deliberation thereon and sufficient cause appearing therefore; it is hereby

ORDERED that:

1. The Motion is GRANTED as set forth herein.

2. Pursuant to section 1121(d) of the Bankruptcy Code, the Debtors' Exclusive Filing Period in which to file a chapter 11 plan is extended through and including July 10, 2018.

3. Pursuant to section 1121(d) of the Bankruptcy Code, the Debtors' Exclusive Solicitation Period in which to solicit acceptances of a chapter 11 plan is extended through and including September 10, 2018.

4. Nothing herein shall prejudice the Debtors' right to seek further extensions of the Exclusive Periods as may be necessary or appropriate.

5. The terms and conditions of this Order shall be immediately effective and enforceable upon entry of this Order.

6. The Debtors are authorized and empowered to take all actions necessary to implement the relief granted in this Order.

7. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation or interpretation of this Order.

Dated: March ___, 2018
New York, New York

THE HONORABLE MICHAEL E. WILES
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT B

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	Chapter 11
PACIFIC DRILLING S.A., *et al.*,[1]	:	Case No. 17-13193 (MEW)
Debtors.	:	Jointly Administered

BRIDGE ORDER EXTENDING THE EXCLUSIVE PERIODS DURING WHICH THE DEBTORS MAY FILE A PLAN OF REORGANIZATION AND SOLICIT ACCEPTANCES PURSUANT TO LOCAL RULE 9006-2

Upon consideration of the *Debtors' Motion for an Order Pursuant to Section 1121(d) of the Bankruptcy Code Extending the Debtors' Exclusive Periods to File a Plan of Reorganization and Solicit Acceptances* (the "Motion")[2] of the above-captioned debtors and debtors in possession (collectively, the "Debtors") for entry of a bridge order (this "Bridge Order") under Rule 9006-2 of the Local Rules for the United States Bankruptcy Court for the Southern District of New York (the "Local Rules") (i) extending the exclusive period to file a chapter 11 plan (the "Exclusive Filing Period") for each of the Debtors through and including March 21, 2018 at 2:00 p.m. (prevailing Eastern Time), and (ii) extending the exclusive period to solicit acceptances

[1] 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.

[2] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

of a chapter 11 plan (the "Exclusive Solicitation Period" and, together with the Exclusive Filing Period, the "Exclusive Periods") for each of the Debtors through and including March 21, 2018 at 2:00 p.m. (prevailing Eastern Time); or (iii) the date on which the Court resolves the Motion is in the best interest of the Debtors and their creditors, and is otherwise consistent with Local Rule 9006-2, and after due deliberation, and sufficient cause appearing for granting the relief requested in the Motion pending a hearing thereon, and for the reasons stated therein, it is hereby

ORDERED that:

1. The Motion is GRANTED as set forth herein.

2. The Exclusive Periods are extended through and including the later of: (i) March 21, 2018 at 2:00 p.m. (prevailing Eastern Time); or (ii) the date on which the Court resolves the Motion.

3. This Bridge Order is without prejudice to the rights of the Debtors to seek a further extension(s) of the Exclusive Periods.

4. The Debtors are authorized to take all actions necessary or appropriate to give effect to this Bridge Order.

5. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation and/or enforcement of this Bridge Order.

Dated: March___, 2018
New York, New York

THE HONORABLE MICHAEL E. WILES
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT C

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	Chapter 11
PACIFIC DRILLING S.A., *et al.*,[1]	:	Case No. 17-13193 (MEW)
Debtors.	:	Jointly Administered

DECLARATION OF PAUL T. REESE IN SUPPORT OF DEBTORS' MOTION FOR AN ORDER PURSUANT TO SECTION 1121(d) OF THE BANKRUPTCY CODE EXTENDING THE DEBTORS' EXCLUSIVE PERIODS TO FILE A PLAN OF REORGANIZATION AND SOLICIT ACCEPTANCES

I, Paul T. Reese, under penalty of perjury, declare as follows:

1. I am the Chief Executive Officer of Debtor Pacific Drilling S.A. ("PSDA"). I am authorized to execute this declaration on behalf of PDSA and certain of its affiliates, as debtors and debtors-in-possession in the above-captioned chapter 11 cases (collectively, the "Debtors") in support of the *Debtors' Motion for an Order Pursuant to Section 1121(d) of the Bankruptcy Code Extending the Debtors' Exclusive Periods to File a Plan of Reorganization and Solicit Acceptances* (the "Motion").[2] Unless otherwise stated in this declaration, I have personal knowledge of the matters set forth herein, or have been informed of such matters by employees of the Debtors or representatives of the Debtors.

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[1] 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.

[2] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

2. As set forth in the Motion, the Debtors have aggressively pursued a reset of their relationship with their secured creditors, have taken significant steps to advance negotiations of a consensual chapter 11 plan, and have accomplished a number of critical tasks to lay the groundwork for an efficient and productive resolution of these chapter 11 cases.

I. The Debtors' Chapter 11 Cases Are Large and Complex.

3. The Debtors' chapter 11 cases are large and complex and require the Debtors to navigate a host of complex issues during these cases. The Debtors operate in a global commodity driven industry, the outlook for which shifts with changes in expectations for the outlook of oil and gas prices, the drilling plans of major international oil companies, and the global and regional supply and demand for the large, sophisticated, and capital-intensive drillships of the type the Debtors operate. Building consensus about the outlook for the industry in which the Debtors operate and its implications for the Debtors' own performance outlook is anything but a simple exercise. The challenge in doing so is exacerbated by the significant changes that have been experienced in the prices of oil and gas, including the very significant changes in these prices that have occurred in the last 12 months. Precisely because of these complexities, the Debtors are prudently utilizing the knowledge and credibility of the experts retained to inform the completion of the Debtors' business plan.

4. Besides the Debtors' sophisticated fleet of high-specification ultra-deep water drillships, their customers also rely heavily on the Debtors' dedicated and highly specialized people and a solid performance-driven management system which are all key to providing safe, reliable and a consistent quality of ultra deep water drilling services. Such services are highly technical in nature, in water depths up to 12,000 feet, with vertical/directional drilling depths up to 30,000/40,000 feet, and

involve the Debtors' specialized drilling, marine and maintenance crews (close to 100 people are on board at any one time), in addition to several subcontracted well service providers. All these elements speak to the highly sophisticated nature of offshore drilling in an ultra deep-water environment.

5. The Debtors' seven high-specification floating rigs cost more than $5 billion, are designed for wells in ultra deep water regions, and are contracted for wells in the deep water regions of the U.S. Gulf of Mexico and West Africa. The Debtors have one of the most sophisticated and modern fleets in the world. Ships not now in service have been "smart stacked" for quick redeployment by implementing an innovative low cost stacking solution while continuing to upkeep the vessels and maintain class status, and retaining full flexibility to redeploy their vessels in a short time span. That is unique to the Debtors.

6. The Debtors have more than 700 employees and maintain hundreds of contracts with vendors to support their complex global operations.

7. The Debtors' capital structure encompasses two bank credit facilities, one Term Loan B credit facility, and two bond indentures in three entirely separate silos with an aggregate outstanding principal amount of approximately $3 billion and an approximately $2.2 billion equity investment from their shareholders, including $1.6 billion from QP. These cases are further complicated by the company's silo-based capital structure where the Secured Creditor Parties do not share a single collateral package and have no liens on many of the Debtors' most significant assets—including all the Debtors' cash and the Zonda claim. The incongruent collateral packages and the Debtors' significant unencumbered assets create complexities in plan negotiations. Further, the Debtors have $6.4 billion in valid intercompany loans that

crisscross among company entities in separate debt silos, and among non-guarantors and even the Debtors' non-Debtor affiliates.

8. I believe that the fractured and changing makeup of the Debtors' creditor counterparties has also increased the complexity of plan negotiations in these chapter 11 cases. For example, I understand that the Ad Hoc Group is made up of approximately six large institutions that collectively hold the majority of the Debtors' Term Loan B, 2020 Notes, and 2017 Notes. The Ad Hoc Group's disparate holdings and desire to remain unrestricted[3] in the chapter 11 cases have made plan negotiations with the group challenging.

II. The Debtors Have Made Substantial Progress in These Chapter 11 Cases.

9. I believe that the Debtors have made substantial progress since filing for chapter 11 (particularly since late January) and are seeking an extension of the Exclusive Periods to take the inputs that they have been working to develop and formulate and propose a confirmable, and hopefully consensual, chapter 11 plan. Much of this progress has been out of the view of the Court but is nonetheless vital to ensure that the Debtors, the Secured Creditor Parties, and QP have all the information they need for plan discussions. Below is a summary of just some of the things the Debtors have done in furtherance of these cases since the Petition Date.

a. Plan Negotiations

10. Prior to the February 20, 2018 hearing (the "Mediation Hearing") to consider the mediation motions filed by the Ad Hoc Group, SSCF Agent, and RCF

[3] Despite the Debtors' repeated efforts to advance plan negotiations by having the members of the Ad Hoc Group become restricted, the members of the Ad Hoc Group have only been willing to restrict themselves for a total of 10 days during the course of these chapter 11 cases. It was during this short restricted period that the two primary postpetition proposals were made by QP and the Ad Hoc Group.

Agent (collectively, the "Mediation Motions"), QP presented the Debtors with a revised equitization proposal on January 16, 2018, which I understand was subsequently presented by the Debtors to the Ad Hoc Group. After the urging of the Court on January 18, 2018, the members of the Ad Hoc Group agreed to become restricted from trading for 10 days, and the Debtors, QP, and Ad Hoc Group held a formal, in-person, negotiation session with principals, which I attended, concerning the QP proposal on January 25, 2018. The independent Restructuring Committee of the Debtors' Board of Directors convened several times to discuss the QP proposal, as well as a counterproposal submitted by the Ad Hoc Group on January 30, 2018. Following the failure to reach a consensual agreement after the January 30 proposal, the Ad Hoc Group withdrew from negotiations and required the Debtors to cleanse materials they had been provided so that their members could once again be "unrestricted" and free to trade the Debtors' securities. I understand the Debtors' advisors also separately held formal negotiation sessions with the advisors to the SSCF Lenders and the RCF Lenders.

11. Since the Mediation Hearing, the Debtors have accelerated their outreach to the Secured Creditor Parties and have made substantial progress in creating a framework for plan negotiations. Those discussions have continued through the filing of the Motion. Specifically, I understand that the Debtors' professionals have had at least three meetings (and telephonic discussions) with the professionals for each of the Secured Creditor Parties. I also understand that the Debtors' financial advisors and investment bankers have routinely been in contact with the Secured Creditor Parties' advisors in response to the Secured Creditor Parties' diligence requests.

b. Providing Information to the Secured Creditor Parties and Mediation Response

12. I understand that on February 16, 2018, the Debtors completed the voluntary production of over 12,000 pages of documents (the "Document Production") to the Secured Creditor Parties in lieu of their broad Bankruptcy Rule 2004 discovery requests, which the Court denied. I believe this Document Production will aid in chapter 11 plan discussions because the Document Production provided the Secured Creditor Parties with a high degree of visibility into the Debtors' business, the Secured Creditor Parties' collateral, and the deliberations of the Debtors' Board of Directors leading to the chapter 11 filing. The Document Production included, among the more than 25 categories of documents, two years' worth of Board materials, proposals exchanged with certain of the Secured Creditor Parties, materials exchanged with QP, budgets, appraisals, customer and intercompany contracts, materials related to the *Pacific Zonda* arbitration (the "Zonda Arbitration"), materials detailing intercompany transfers, and information regarding share and indebtedness repurchases. This effort required substantial amounts of time from key members of the Debtors' management and professionals.

13. In addition, I understand that the Debtors have provided the Secured Creditor Parties with access to a virtual data room that contains tens of thousands of additional pages of documents in response to numerous diligence requests for a variety of operational, financial, and legal information. These produced materials include legal documents related to the capital structure, information regarding the Debtors' intercompany balances, operational data, financial data, industry information and more.

14. The Debtors have also offered to make available three members of the Board of Directors' Restructuring Committee and two members of senior management (including myself) to respond to the Secured Creditor Parties' questions concerning corporate governance and board independence.

c. Employee Compensation Programs and Equity Committee Response

15. The Debtors provided an enormous amount of documents, information, and access to members of the Debtors' senior management, key employees, and the Debtors' professionals in response to the U.S. Trustee's requests for information related to the Debtors' Performance Bonus Program, Long-Term Incentives, and Non-Insider Retention Awards (together, the "Compensation Programs").

16. I believe that it was critical that the Debtors were able to reach a consensual resolution with the U.S. Trustee with regard to a majority of the Compensation Programs and ultimately pay incentive-based bonuses to many of the Debtors' rank-and-file employees. These payments have helped the Debtors retain their critical, highly-trained employees, providing much-needed stability in these circumstances.

d. Stabilizing Operations and Positioning for Future Success

17. The Debtors were focused on stabilizing their business during the first 120 days of these chapter 11 cases. This process took extensive effort on the part of the company and its professionals both in and out of Court, such as obtaining relief in the form of various "first day" and "second day" motions, implementing revised cash management systems, hiring and retaining estate professionals, complying with the various reporting requirements instituted by chapter 11, and working to keep key employees, vendors, and customers from leaving the company in favor of competitors.

18. The Debtors also negotiated and entered into a new contract with Petronas in West Africa that provides our customer with certain integrated services beyond the Debtors' normal drilling operations. This unique contract, which has provided the Debtors additional liquidity during these cases, required significant time and effort from myself and other key members of management. Similarly, the Debtors have been negotiating additional contracts to keep certain of their rigs working and producing revenue.

19. The Debtors have also been focused on taking steps to ensure they emerge a stronger enterprise that is well positioned to take advantage of the anticipated market recovery. This includes developing a strategy with regard to securing contracts for their rigs that benefit all their constituents, and they are in discussions regarding putting additional rigs back to work in the near term. These efforts have also involved regular, on-going communications with potential customers. The Debtors have also spent significant time instituting their modified smart stack process on several rigs to save liquidity in the short term, while arranging rig visits for potential customers of their smart stacked rigs so that potential customers can assess the readiness of the Debtors' rigs to quickly return to service. The results of these coordinated efforts must be incorporated into the forthcoming business plan.

e. Zonda Arbitration

20. The Debtors committed significant resources to the Zonda Arbitration. The Debtors only recently concluded the four-week evidentiary portion of the hearing in London before a three person tribunal. Prosecution of the Zonda Arbitration required an enormous amount of time from the Debtors' senior management and key employees, including Lisa Buchanan, the Debtors' General Counsel, and John Boots, the Debtors' Chief Financial Officer, both of whom were

required to be in London for nearly the entirety of the Zonda Arbitration hearing. I believe this was a prudent allocation of resources because, if successful, the Zonda Arbitration will result in the recovery of up to $350 million of unrestricted cash into the estates and the elimination of a potential prepetition unsecured claim against the Debtors—significantly impacting plan discussions and the options available to the Debtors.

f. Chapter 11 Plan Inputs

21. In furtherance of chapter 11 plan formulation and discussions, three separate experts were retained to provide the necessary data inputs that will assist the Debtors' primary professionals with the completion of the Debtors' business plan and the development of a plan proposal. Analysis Group, Inc. ("AGI"), Rystad Energy, AS ("Rystad"), and Fearnley Securities AS ("Fearnley" together with AGI and Rystad, the "Experts") were retained in February 2018 and bring unique perspectives to key questions affecting these chapter 11 cases. AGI has been retained to inform an oil and gas commodity price forecast for reorganization and plan purposes. Rystad has been retained to, among other things, utilize its prodigious proprietary database of global upstream projects and associated demand for deep water drilling services to inform a long term utilization rate and day rate forecast for reorganization plan purposes. Fearnley has been retained to, among other things, complement the utilization rate and day rate forecasts prepared by Rystad with its own market-based intelligence on utilization and day rates and to estimate drillship asset values.

22. While the Experts are conducting their respective analyses, the Debtors and their professionals are working to complete other elements of the business plan in parallel with the work conducted by the Experts. As of the date of this Motion, each of the Experts have provided preliminary input to the Debtors and are preparing

formal reports with up-to-date estimates in their areas of expertise. Management is now actively considering this initial input, and management expects its judgment with respect to the completion of its business plan to be informed by the forthcoming formal reports, as will the debt capacity analysis, feasibility analysis, valuation, and liquidation analysis that the Debtors will utilize for plan of reorganization purposes.

23. The Debtors are working to provide a copy of the business plan to the Secured Creditor Parties and QP in April. Before sharing a final business plan with external parties, the Debtors must first present the business plan to the Restructuring Committee and ultimately, the full Board of Directors for approval. Neither the Restructuring Committee nor the Board of Directors is a rubber stamp. To the contrary, the Restructuring Committee and the Debtors' Board is made up of directors with extensive industry experience and directors with extensive restructuring experience. Thus, I anticipate that the Board will actively be involved in this process and will provide significant, substantive, and insightful input on the business plan in advance of it being shared with creditors.

24. I believe that these current estimates are critical to plan formulation and analysis because of the inherent volatility and cyclicality of commodity prices affecting the ultra-deep water offshore drilling industry. These Experts' views will help inform the Debtors and other parties in interest as the Debtors move forward to broker a consensual chapter 11 plan.

25. Though these refreshed views on asset valuation and industry outlook are critical to the ultimate formulation of the plan of reorganization, as described above, the Debtors have nonetheless negotiated with their creditor constituencies formally and informally since the Petition Date.

III. The Extension Will Not Harm Any Party and Will Benefit the Debtors' Stakeholders.

26. The Motion is the Debtors' first request for an extension of the Exclusive Periods. The Debtors are not seeking an extension to unfairly prejudice or pressure creditors. To the contrary, I believe the requested extension will capitalize on the Debtors' substantial progress to date and enable the Debtors and each of their key stakeholders, including the Secured Creditor Parties and QP, to fully explore and develop the terms of a global resolution that can be reached without undue delay and at minimal cost.

27. Even with some of their fleet in smart stack mode, the Debtors are still earning sufficient revenue from their contracts to be in a strong financial position through the requested 120-day extension of the Exclusive Periods.

28. The lack of an imminent fiscal meltdown at the company does not mean that the Debtors and their professionals are acting without a sense of urgency or that they are seeking a "hibernation strategy." The Debtors are willing to communicate with and provide relevant information to parties in interest – including the Secured Creditor Parties and QP – throughout the reorganization process in an effort to advance towards a consensual chapter 11 plan.

IV. Important Contingencies Must Be Resolved by the Debtors.

29. The Debtors have just wrapped up the lengthy evidentiary portion of the hearing in the Zonda Arbitration, which could bring nearly $350 million of unencumbered cash back into the estates and have a meaningful impact on plan negotiations. The Zonda Arbitration could also result in a claim against the estates. Thus, I believe the parties' negotiations will unquestionably be impacted by the outcome of the Zonda Arbitration.

V. The Debtors Are Meeting Their Postpetition Obligations.

30. I believe that the Debtors have sufficient liquidity to pay the ordinary course postpetition claims during the requested extension period based on projected cash flows. As of the close of business on March 1, 2018, the Debtors still held approximately $289 million in unencumbered cash on hand, and sufficient liquidity to pay the ordinary course post-petition claims during the requested extension period. Their cash position and ability to continue to pay ordinary course postpetition claims remains strong.

VI. The Debtors' Mediation Offer.

31. After the Mediation Hearing on February 20, 2018, a full Board meeting was convened on Thursday, February 22, 2018, which I attended. At that Board meeting, it was agreed that at some point, mediation will likely be needed to reach a consensual plan.

32. It was resolved at this meeting that the Debtors would consent to mediation, provided that the mediation be on reasonable terms to be proposed by the Debtors to the Secured Creditor Parties and QP. The terms that the Debtors proposed are included in the term sheet, which is attached to the Motion as Exhibit D. This term sheet was shared with the Secured Creditor Parties and QP on March 3, 2018.

[Concluded on Following Page]

33. The Debtors intend to proceed in good faith with negotiating the terms of a proposed mediation and a consensual plan of reorganization with the Secured Lenders and QP during the period for which the Exclusive Periods are extended.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: Houston, Texas
March 6, 2018

/s/ Paul T. Reese
Paul T. Reese
Chief Executive Officer

EXHIBIT D

NOT SUBJECT TO FRE 408

Pacific Drilling S.A. Mediation Term Sheet

March 1, 2018

This term sheet (the "**Term Sheet**") sets forth certain proposed terms for the resolution of the following pleadings (collectively, the "**Mediation Motions**"): (i) *Motion or an Order Pursuant to Local Bankruptcy Rule 9019-1 and General Order M-452 §§ 1.1. and 1.3 Appointing a Mediator and Ordering the Proposed Mediation Parties to Mediation* [Docket No. 184] filed by secured lenders consisting of certain unaffiliated debtholders (the "**Ad Hoc Group**"); (ii) *Motion for an Order Pursuant to Local Bankruptcy Rule 9019-1 and General Order M-452 Ordering Mediation and Appointing Mediator* [Docket No. 185] filed by Wilmington Trust, National Association, in its capacity as administrative agent (the "**SSCF Agent**") under that certain Senior Secured Credit Facility Agreement, dated February 19, 2013 (the "**SSCF Agreement**"); (iii) *Motion for an Order Pursuant to Local Bankruptcy Rule 9019-1 and General Order M-452 Ordering Mediation and Appointment Mediator* [Docket No. 188] filed by of Citibank, N.A., in its capacity as administrative agent (the "**RCF Agent**") under the Revolving Credit Agreement, dated as of June 3, 2013 (the "**RCF Agreement**"); and (iv) *Statement of the Ad Hoc Group of RCF Lenders in Support of Motions for Order Pursuant to Local Bankruptcy Rule 9019-1 and General Order M-452 Ordering Mediation and Appointing Mediator* [Docket No. 217] filed by the ad hoc group of revolving facility lenders (the "**RCF Group**").[1]

Settlement Terms

To resolve the Mediation Motions, Pacific Drilling S.A. (the "**Debtor**" and together with its debtor-affiliates, the "**Debtors**") and the other parties listed as "Mediation Parties" below (collectively, the "**Creditor Parties**") will agree to participate in non-binding mediation (the "**Mediation**") on the following material terms and conditions, which shall be reflected in a consensual mediation order (the "**Mediation Order**"):

Mediator	James M. Peck (the "**Mediator**")
Mediation Parties	Principals, attorneys, and advisors of and to the following parties (collectively, the "**Mediation Parties**"): • the Debtors; • Quantum Pacific (Gibraltar) Limited ("**Quantum Pacific**"); • each member of the Ad Hoc Group; • the SSCF Agent; • each member of any steering committee or similar committee or group of SSCF Lenders that

[1] Capitalized terms not otherwise defined herein shall have the meanings given to them in the Mediation Motions.

	has been formed and any other material SSCF Lenders with whom the SSCF Agent and/or its counsel have been in regular contact regarding the Debtors' restructuring (the "**SSCF Group**"); • the RCF Agent; and • each member of the RCF Group. Each of the Mediation Parties shall appear with at least one principal appearing in person who is empowered with full authority to settle the Mediation, in full or in part, and thereby bind the party for whom such principal acts. If all of the Mediation Parties listed above do not agree to participate in the Mediation on the terms and conditions set forth herein, the Debtors, in their sole discretion, may still elect to proceed with the Mediation if they believe there will be sufficient participation to progress restructuring negotiations.
Subject of the Mediation	The Mediation Parties will participate in the Mediation, subject to Rule 408 of the Federal Rules of Evidence, for the purpose of agreeing to the terms of a binding term sheet or restructuring support agreement describing a proposed chapter 11 plan of reorganization for the Debtors.
Term	The Mediation will begin upon the date set forth in the Mediation Order and will conclude upon the Mediator's determination, in his sole discretion, that (a) the issues to be mediated have been resolved or (b) further mediation will not result in the Debtors and one or more Creditor Parties' entry into a binding term sheet or restructuring support agreement (the "**Mediation Period**").
Confidentiality and Receipt of Material Non-Public Information	Notwithstanding anything else herein, the terms of any confidentiality agreement entered into between any Mediation Party and the Debtors (each, a "**Confidentiality Agreement**") and the Mediation Order shall govern any issues with respect to any Mediation Party's disclosure of any proposals and any material non-public information of the Debtors to a Mediation Party or otherwise. Prior to the commencement of Mediation, the Debtors and each Creditor Party shall agree on the terms of, and enter into, appropriate Confidentiality Agreements, each of

	which shall be acceptable to each of the Debtors and the applicable Creditor Party; *provided that* such acceptance by a Creditor Party shall not be unreasonably withheld. Each Creditor Party acknowledges and agrees that it will receive certain material non-public information and will be restricted from trading in the Debtors' or Debtors' affiliates' securities during the entirety of the Mediation Period.
Exclusivity	The Debtors will retain the exclusive right to propose and file a plan of reorganization pursuant to section 1121 of title 11 of the United States Code (the "**Bankruptcy Code**") for the later of (i) 120 days following the termination of the Debtors' initial exclusivity period under Bankruptcy Code section 1121(b) and (ii) one week after the termination date of the Mediation Period, and in each case to solicit votes on such plan for sixty days thereafter (the periods to propose, file, and solicit votes on the plan, collectively, the "**Exclusive Periods**"). The Creditor Parties agree to consent to, not object to, and not encourage or solicit any other party to object to any request by the Debtors to extend the Exclusive Periods from the effective date of this Term Sheet through the expiration of the Mediation Period. Nothing contained herein or in the Mediation Order shall limit the Debtors' right to seek an extension of exclusivity under section 1121(d)(1) of the Bankruptcy Code at any time, and the Debtors' consent to the Mediation Order is without prejudice to the Debtors' right to seek any such extension at any time, including after the expiration of the Mediation Period.
Miscellaneous	The Mediation Order shall contain other standard terms and conditions, including provisions regarding an absolute mediation privilege and requirements regarding the disclosure of the Creditor Parties' holdings of the Debtors' securities.

Hearing Date: 3/21/18 at 2:00 p.m. (prevailing Eastern Time)
Objection Deadline: 3/14/18 at 4:00 p.m. (prevailing Eastern Time)

TOGUT, SEGAL & SEGAL LLP
One Penn Plaza, Suite 3335
New York, New York 10119
(212) 594-5000
Albert Togut
Frank A. Oswald
Kyle J. Ortiz
Brian F. Moore

Counsel to the Debtors
and Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	Chapter 11
PACIFIC DRILLING S.A., *et al.*,[1]	:	Case No. 17-13193 (MEW)
Debtors.	:	Jointly Administered

NOTICE OF HEARING OF DEBTORS' MOTION FOR AN ORDER PURSUANT TO SECTION 1121(d) OF THE BANKRUPTCY CODE EXTENDING THE DEBTORS' EXCLUSIVE PERIODS TO FILE A PLAN OF REORGANIZATION AND SOLICIT ACCEPTANCES

PLEASE TAKE NOTICE that on the date hereof, Pacific Drilling, S.A., on behalf of itself and certain of its affiliated debtors and debtors-in-possession (collectively, the "Debtors"), filed the *Debtors' Motion for an Order Pursuant to Section 1121(d) of the Bankruptcy Code Extending the Debtors' Exclusive Periods to File a Plan of Reorganization and Solicit Acceptances* (the "Motion"). The undersigned counsel will

[1] 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.

present the Motion to the Honorable Michael E. Wiles, United States Bankruptcy Court for the Southern District of New York (the "Court") at One Bowling Green, New York, NY 10004, at a hearing to be held on **March 21, 2018 at 2:00 p.m. (prevailing Eastern Time)** (the "Hearing").

PLEASE TAKE FURTHER NOTICE that any responses or objections (the "Objections") to the Motion shall be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District of New York and shall be filed with the Bankruptcy Court (a) by attorneys practicing in the Bankruptcy Court, including attorneys admitted *pro hac vice*, electronically in accordance with General Order M-399 (which can be found at www.nysb.uscourts.gov), and (b) by all other parties in interests, on a CD-ROM, in text-searchable portable document format (PDF) (with a hard copy delivered directly to Chambers), in accordance with the customary practices of the Bankruptcy Court and General Order M-399, to the extent applicable, and shall be served in accordance with General Order M-399 on (i) counsel to the Debtors, Togut, Segal & Segal LLP; (ii) the Office of the U.S. Trustee for Region 2 (Attn: Andrea B. Schwartz, Esq.); (iii) counsel to each of the agents and trustees of the Debtors' prepetition secured parties; (iv) counsel to the ad hoc group of the Debtors' prepetition debt; (v) the Internal Revenue Service; (vi) the Securities and Exchange Commission; (vii) the parties identified on the Debtors' consolidated list of 30 largest unsecured creditors; (viii) particular notice parties to the Motion; and (ix) any other party entitled to notice pursuant to Bankruptcy Rule 2002, so as to be so filed and received no later than, **March 14, 2018 at 4:00 p.m. (prevailing Eastern Time)** (the "Objection Deadline").

PLEASE TAKE FURTHER NOTICE that only those objections that are timely filed, served and received will be considered at the Hearing. Failure to file a

timely objection may result in the entry of a final order granting the relief requested in the Motion without further notice. Failure to attend the Hearing in person or by counsel may result in relief being granted or denied upon default. In the event that no objection to the Motion is timely filed and served, the relief requested in the Motion may be granted without a hearing before the Court.

PLEASE TAKE FURTHER NOTICE that copies of the Motion may be obtained from the Court's website, https://ecf.nysb.uscourts.gov, for a nominal fee, or obtained free of charge by accessing the website of the Debtors' claims and noticing agent, https://cases.primeclerk.com/PacificDrilling.

Dated: New York, New York
March 6, 2018

PACIFIC DRILLING S.A., *et al*.
Debtors and Debtors-in-Possession
By their Counsel:
TOGUT, SEGAL & SEGAL LLP
By:

/s/ Albert Togut
ALBERT TOGUT
FRANK A. OSWALD
KYLE J. ORTIZ
BRIAN F. MOORE
One Penn Plaza, Suite 3335
New York, New York 10119
Telephone: (212) 594-5000
Fax: (212) 967-4258