

UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF WEST VIRGINIA

In Re:

HARD ROCK EXPLORATION, INC.
CARALINE ENERGY COMPANY
BROTHERS REALTY, LLC
BLUE JACKET GATHERING, LLC
BLUE JACKET PARTNERSHIP

Chapter 11

Case No. 17-20459
Case No. 17-20461
Case No. 17-20462
Case No. 17-20463
Case No. 17-20464

Debtors

Joint Administration Requested

MOTION FOR ENTRY OF AN INTERIM ORDER (A) AUTHORIZING THE
INTERIM USE CASH COLLATERAL BY DEBTORS PURSUANT TO SECTION
363 OF THE BANKRUPTCY CODE; (B) PROVIDING ADEQUATE
PROTECTION FOR THE USE OF CASH COLLATERAL; AND (C) SETTING A
FINAL HEARING ON THE USE OF CASH COLLATERAL

The Debtors and Debtors in Possession, Hard Rock Exploration, Inc., Caraline Energy Company, Blue Jacket Gathering, LLC, Blue Jacket Partnership and Brothers Realty, LLC by counsel, respectfully move this Court pursuant to 11 U.S.C. §§ 361 and 363, Fed. R. Bankr. Proc. 4001 and other applicable law, for the entry of an interim order authorizing the use of Cash Collateral, as defined by 11 U.S.C. § 363(a), to preserve the value of the Debtors' estates and the underlying collateral and to provide adequate protection for the use of Cash Collateral, and to set a final hearing on the use of Cash Collateral. In support of said Motion, Debtors hereby state as follows:

RULE 4001(b) STATEMENT

a) Name of Each Entity That May Claim an Interest in Cash Collateral

The Huntington National Bank

The inclusion of any creditor herein as a Cash Collateral Creditor is not a stipulation that such creditor has a valid claim or lien against the Debtors' assets. Upon information, many of the leases against which The Huntington National Bank may assert a lien have expired and The

Huntington National Bank may not have liens against many of Debtors' current leases and, thus, the cash generated the sale of oil or gas therefrom.

b) Purposes for the Use of Cash Collateral

As set forth in more detail in the initial interim Budget attached hereto as Exhibit A, the Debtors propose to use Cash Collateral to meet their postpetition obligations, prepetition obligations as authorized by the Court, to pay their general and administrative operating expenses, and other necessary costs and expenses, including taxes and insurance incurred during the pendency of the Chapter 11 cases.

c) Terms and Duration

The Debtors seek authority to use Cash Collateral in the amounts as set forth on the Budget for the interim period effective *nunc pro tunc* from the Petition Date, September 5, 2017, through any final hearing date and in addition to or pursuant to subsequent proposed budgets to be filed with the Court. The Debtors seek to use Cash Collateral is set forth on the Budget; provided, however, that the Debtors do not exceed the total Budget amount by more than twenty percent (20%). Any expenditure which would cause the Debtors to exceed the total Budget by more than twenty percent (20%) shall require the approval of the Court or consent of their Cash Collateral Creditors.

d) Adequate Protection

In consideration of the Cash Collateral Creditors' consent to the use of the Cash Collateral by the Debtors and as part of the adequate protection for any diminution in the value of the Cash Collateral Creditors' interests in cash, pursuant to 11 U.S.C. §§ 361 and 363, Debtors propose to grant to the Cash Collateral Creditors a replacement and continuing lien upon all cash of the Debtors of the same priority and validity as the prepetition collateral as of the Petition Date (the "Replacement Lien"). The Debtors are willing to negotiate adequate protection with the Cash Collateral Creditor designated in paragraph a above. As further adequate protection, Debtor shall continue to account for all cash use, and the proposed cash use is being incurred preserve property of the estate.

JURISDICTION AND VENUE

1. On September 5, 2017 (the "Petition Date"), Debtors filed voluntary petitions for relief with this Court under Chapter 11 of the United States Bankruptcy Code, 11 U.S.C. § 101, et seq. (the "Bankruptcy Code"). The Debtors intends to continue to operate their businesses as debtors/debtors in possessions pursuant to 11 U.S.C. §§ 1107(a) and 1108.

2. This Court has jurisdiction over these Chapter 11 cases pursuant to 28 U.S.C. §§ 157 and 1334. This matter constitutes a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(M).

3. The Debtors are West Virginia entities with their principal office located at 124 Martins Branch Road, Charleston, West Virginia. Accordingly, venue for this Chapter 11 case is proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409. To date, no trustee or examiner has been appointed in these Chapter 11 cases and no creditors' committee or other official committee has been appointed.

BACKGROUND

4. Debtors have operated in West Virginia since 2003.

5. Natural gas exploration, production, transportation and sales is conducted through these affiliated entities and is the focus of their business. Since 2008, horizontal drilling technology and utilization has increased and opened up opportunities for Debtors in the Blue Jacket and Amber Bank areas of West Virginia. The Devonian Shale formations in the Appalachian Basin region are particularly well suited for horizontal drilling.

6. Multiple factors including but not limited to deteriorating relations with principal creditor The Huntington National Bank led to the voluntary filing by Debtors.

RELIEF REQUESTED

7. By this Motion, Debtor requests entry of an Order (A) Authorizing the Use of Cash Collateral Pursuant to Section 363 of the Bankruptcy Code; (B) Providing Adequate Protection for the Use of Cash Collateral; and (C) Setting a Final Hearing on the Use of Cash Collateral.

8. Section 363 (c)(2) of the Bankruptcy Code provides that a Debtor "may not use, sell, or lease Cash Collateral unless ... (A) each entity that has an interest in such Cash Collateral

consents; or (B) the court, after notice and a hearing, authorizes such use, sale, or lease in accordance with the provisions of this section.” 11 U.S.C. § 363 (c) (2).

9. Additionally, section 363 (e) of the Bankruptcy Code provides that “on request of an entity that has an interest in property... proposed to be used, sold, or leased, by the trustee, the court, with or without a hearing, shall prohibit or condition such use, sale or lease as is necessary to provide adequate protection of such interest.” 11 U.S.C. § 363 (e).

10. In this case, the Cash Collateral is from revenue generated by the sale of natural gas and to a significantly lesser degree, oil and other products. In addition, there are certain maintenance and service fees intermittently paid to Debtors for services provided in operating and maintaining wells, pipelines and other facilities.

11. On information and belief, the principal creditor The Huntington National Bank is asserting a lien on some or all such Cash Collateral. No other such liens are known at this time.

12. In order to pay contractors, employees, vendors and other operating expenses, including reserving funds for taxes and insurance, the Debtors will need to use Cash Collateral before entry of a final order. Maintaining both the asset value of equipment and the value of the production facilities as operating entities will serve to maintain value both for the Debtors and for all creditors. Thus, Debtors request the use of Cash Collateral on an interim basis until the earlier of October 31, 2017, or the entry of a final order pursuant to the terms and conditions contained herein.

13. In support hereof, Debtors incorporate herein the Declaration of James L. Stephens in support of Debtors’ Petitions and First Day Motions.

WHEREFORE, Debtors respectfully request entry of an order (a) authorizing the use of Cash Collateral, under the terms and conditions set forth herein, (b) providing adequate

protection for the use of Cash Collateral, and (c) scheduling a final hearing on the use of Cash Collateral.

REQUEST TO SCHEDULE HEARING

The Debtors request that foregoing Insurance Motion be set for hearing before the Court on **September 25, 2017 at 1:30 p.m.**, in the United States Bankruptcy Court, Robert C. Byrd Courthouse, Bankruptcy Courtroom A, 300 Virginia Street East, Charleston, WV, or as soon thereafter as may be heard.

Respectfully submitted,

FOWLER BELL PLLC

By: /s/ Taft A. McKinstry
Taft A. McKinstry
Kentucky Bar No. 46610
Christopher G. Colson
Kentucky Bar No. 93328
300 West Vine Street, Suite 600
Lexington, Kentucky 40507
Email: TMcKinstry@FowlerLaw.com
CGColson@FowlerLaw.com
Telephone: (859) 252-6700
Facsimile: (859) 255-3735

and

Christopher S. Smith
HOYER, HOYER & SMITH, PLLC
West Virginia Bar No. 3457
22 Capitol Street
Charleston, WV 25301
Telephone: (304) 344-9821
Facsimile: (304) 344-9519
Email: chris@hhsmlaw.com
**COUNSEL FOR DEBTORS AND
DEBTORS IN POSSESSION
(UNDER PENDING APPLICATION)**

CERTIFICATE OF SERVICE

A consolidated certificate of service for this Motion will be filed separately.

/s/ Taft A. McKinstry
**COUNSEL FOR DEBTORS AND
DEBTORS IN POSSESSION
(UNDER PENDING APPLICATION)**

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