

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

In re:)	
	)	Chapter 11
)	
Quicksilver Resources Inc., <u>et al.</u> , ¹	)	Case No. 15-10585 (LSS)
)	
Debtors.	)	Jointly Administered
)	
	)	Hearing Date: April 15, 2015 at 2:00 p.m. (EDT)
	)	Obj. Deadline: April 8, 2015 at 4:00 p.m. (EDT)
)	
	)	Re: Docket Nos. 9 & 92

NOTICE OF (I) ENTRY OF “INTERIM ORDER AUTHORIZING, BUT NOT DIRECTING, THE DEBTORS TO (A) CONTINUE PRE-PETITION INSURANCE COVERAGE AND (B) MAINTAIN FUNDING FOR THE INSURANCE BROKERS” AND (II) SCHEDULING OF A FINAL HEARING THEREON

PLEASE TAKE NOTICE that, on March 17, 2015, the above-captioned debtors and debtors in possession (collectively, the “Debtors”) filed the *Debtors’ Motion for Interim and Final Orders Authorizing, but Not Directing, the Debtors to (A) Continue Pre-Petition Insurance Coverage and (B) Maintain Funding for the Insurance Brokers* [Docket No. 9] (the “Motion”) with the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801 (the “Bankruptcy Court”). A copy of the Motion is attached hereto as **Exhibit A**.

PLEASE TAKE FURTHER NOTICE that, following a first day hearing to consider approval of the Motion on an interim basis, on March 19, 2015, the Bankruptcy Court entered

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Quicksilver Resources Inc. [6163]; Barnett Shale Operating LLC [0257]; Cowtown Drilling, Inc. [8899]; Cowtown Gas Processing L.P. [1404]; Cowtown Pipeline Funding, Inc. [9774]; Cowtown Pipeline L.P. [9769]; Cowtown Pipeline Management, Inc. [9771]; Makarios Resources International Holdings LLC [1765]; Makarios Resources International Inc. [7612]; QPP Holdings LLC [0057]; QPP Parent LLC [8748]; Quicksilver Production Partners GP LLC [2701]; Quicksilver Production Partners LP [9129]; and Silver Stream Pipeline Company LLC [9384]. The Debtors’ address is 801 Cherry Street, Suite 3700, Unit 19, Fort Worth, Texas 76102.

the *Interim Order Authorizing, but Not Directing, the Debtors to (A) Continue Pre-Petition Insurance Coverage and (B) Maintain Funding for the Insurance Brokers* [Docket No. 92] (the “Interim Order”). A copy of the Interim Order is attached hereto as **Exhibit B**.

PLEASE TAKE FURTHER NOTICE that a hearing to consider approval of the Motion on a final basis will be held on **April 15, 2015 at 2:00 p.m. (Eastern Daylight Time)** before The Honorable Laurie Selber Silverstein at the Bankruptcy Court, 824 North Market Street, 6th Floor, Courtroom 2, Wilmington, Delaware 19801.

PLEASE TAKE FURTHER NOTICE that objections or responses to the relief requested in the Motion, if any, must be made in writing, filed with the Bankruptcy Court, and served so as to be received on or before **April 8, 2015 at 4:00 p.m. (Eastern Daylight Time)** on the following parties: (a) Akin Gump Strauss Hauer & Feld LLP, 1700 Pacific Avenue, Suite 4100, Dallas, TX 75201, Attn: Charles R. Gibbs, Esq. and Sarah Link Schultz, Esq., proposed counsel to the Debtors; (b) Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, DE 19801, Attn: Paul N. Heath, Esq., proposed Delaware counsel to the Debtors; (c) Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, NY 10017, Attn: Steven M. Fuhrman, Esq., counsel to the First Lien Agent; (d) Latham & Watkins LLP, 885 Third Avenue, Suite 1000, New York, NY 10022, Attn: Mitchell A. Seider, Esq., counsel to the Second Lien Agent; (e) Emmet, Marvin & Martin LLP, 120 Broadway, 32nd Floor, New York, NY 10271, Attn: Edward P. Zujkowski, counsel to the Second Lien Indenture Trustee; (f) Milbank, Tweed, Hadley & McCloy LLP, 28 Liberty Street, New York, NY 10005, Attn: Dennis F. Dunne, Esq. and Samuel A. Khalil, Esq., counsel to the Ad Hoc Group of Second Lienholders; and (g) the Office of the United States Trustee for Region 3, 844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801, Attn: Jane Leamy, Esq.

PLEASE TAKE FURTHER NOTICE THAT IF NO OBJECTIONS TO THE MOTION ARE TIMELY FILED, SERVED AND RECEIVED IN ACCORDANCE WITH THIS NOTICE, THE BANKRUPTCY COURT MAY GRANT THE FINAL RELIEF REQUESTED IN THE MOTION, ON A FINAL BASIS, WITHOUT FURTHER NOTICE OR A HEARING.

Wilmington, Delaware
Date: March 20, 2015

/s/ Amanda R. Steele

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PROPOSED COUNSEL FOR DEBTORS AND DEBTORS IN POSSESSION

Exhibit A

Motion

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:)	
	)	Chapter 11
Quicksilver Resources Inc., <u>et al.</u> , ¹)	
	)	Case No. 15-10585 ()
)	
Debtors.	)	Joint Administration Requested
)	

**DEBTORS’ MOTION FOR INTERIM AND FINAL ORDERS
AUTHORIZING, BUT NOT DIRECTING, THE DEBTORS TO
(A) CONTINUE PRE-PETITION INSURANCE COVERAGE AND
(B) MAINTAIN FUNDING FOR THE INSURANCE BROKERS**

The debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the “Debtors”) respectfully submit this *Debtors’ Motion for Interim and Final Orders Authorizing, But Not Directing, the Debtors to (A) Continue Pre-Petition Insurance Coverage and (B) Maintain Funding for the Insurance Brokers* (the “Motion”). In support of the Motion, the Debtors represent and set forth as follows:²

PRELIMINARY STATEMENT

1. To preserve the value of the Debtors’ estates, the Debtors must maintain certain insurance coverage and be authorized to pay deductibles on covered claims. Additionally, the Debtors are required to maintain some Insurance Policies (as defined below) by various laws, regulations, and contracts, including Bankruptcy Code section 1112(b)(4)(C). Therefore, it is

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Quicksilver Resources Inc. [6163]; Barnett Shale Operating LLC [0257]; Cowtown Drilling, Inc. [8899]; Cowtown Gas Processing L.P. [1404]; Cowtown Pipeline Funding, Inc. [9774]; Cowtown Pipeline L.P. [9769]; Cowtown Pipeline Management, Inc. [9771]; Makarios Resources International Holdings LLC [1765]; Makarios Resources International Inc. [7612]; QPP Holdings LLC [0057]; QPP Parent LLC [8748]; Quicksilver Production Partners GP LLC [2701]; Quicksilver Production Partners LP [9129]; and Silver Stream Pipeline Company LLC [9384]. The Debtors’ address is 801 Cherry Street, Suite 3700, Unit 19, Fort Worth, Texas 76102.

² A detailed description of the Debtors and their businesses, and the facts and circumstances supporting this Motion and the Debtors’ restructuring, are set forth in greater detail in the Declaration of Vanessa Gomez LaGatta in Support of First Day Pleadings (the “First Day Declaration”), filed contemporaneously with the Debtors’ voluntary petitions for relief filed under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”).

critical that the Debtors have authority to continue pre-petition insurance coverage and maintain uninterrupted funding for the insurance brokers.

2. The Debtors submit that the relief requested herein is essential to their reorganization in these chapter 11 cases, and therefore, is in the best interests of the Debtors, their estates, and their creditors.

JURISDICTION

3. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).³

4. Venue in this Court is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

5. The predicates for the relief requested herein are Bankruptcy Code sections 105(a), 363, 1107 and 1108 and rule 6003 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

BACKGROUND

A. General Background

6. On March 17, 2015 (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in this Court. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to Bankruptcy Code sections 1107(a) and 1108. No request for the appointment of a trustee or examiner has been made in these chapter 11 cases. No committees have been appointed or designated.

³ Under rule 9013-1(f) of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), the Debtors hereby confirm their consent to the entry of a final order by this Court in connection with this Motion if it is later determined that this Court, absent consent of the parties, cannot enter final orders or judgments in connection therewith consistent with Article III of the United States Constitution.

7. This Motion incorporates by reference the facts set forth in the First Day Declaration as if fully set forth herein. Additional facts specific to this Motion are set forth below.

B. Specific Background

8. The Debtors are engaged in the business of oil and gas exploration in the United States and, through their non-Debtor Canadian subsidiaries and affiliates (the “Non-Debtor Canadian Entities”), Canada. In the course of their domestic operations, the Debtors maintain insurance policies covering, *inter alia*, workers’ compensation and employer’s liability, automobile liability, commercial general liability, non-owned aviation liability, umbrella and excess liability, property damage, well control liability, care, custody and control liability, site pollution liability, director and officer liability, fiduciary liability, and employed lawyers liability (collectively, as discussed herein, the “Insurance Policies”).⁴

9. The Insurance Policies described herein have annual premiums of approximately \$2,762,000.⁵ Unless otherwise specified, each of the Insurance Policies (other than those policies relating to director, officer and management liability, crime, fiduciary liability, and employed lawyer professional liability) expire on June 1, 2015. Insurance Policies relating to director, officer and management liability, crime, fiduciary liability, and employed lawyer professional liability expire December 1, 2015.⁶

⁴ In addition to the Insurance Policies discussed in this Motion, the Debtors maintain numerous insurance programs with respect to employee health, dental, disability, and life insurance benefits. These policies are addressed in the *Debtors’ Motion for Entry of Interim and Final Orders Authorizing, but Not Directing the Debtors to (A) Pay Pre-Petition Employee Wages, Other Compensation, and Reimbursable Employee Expenses and (B) Continue Employee Benefits Programs*, which has been filed concurrently herewith.

⁵ This amount does not include a one-time premium of \$1,985,647 for the Debtors’ directors’ and officers’ liability six-year runoff program discussed in paragraph 23 herein.

⁶ A brief summary of the Debtors’ Insurance Policies is attached hereto as **Exhibit C**.

10. Generally, the Debtors pay the full amount of the premiums on the Insurance Policies at the time such Insurance Policies are renewed.⁷ The Debtors do not use any premium financing arrangements. To assist the Debtors with the procurement and negotiation of their Insurance Policies, the Debtors employ (a) Wortham Insurance as their insurance broker for property and casualty insurance policies (the “P&C Insurance Broker”) and (b) Aon Risk Solutions for director, officer, and other management liability policies (the “D&O Insurance Broker”) and, together with the P&C Insurance Broker, the “Insurance Brokers”). In conjunction with the placement of the Insurance Policies, the Debtors have agreed to compensate the P&C Insurance Broker on a commission basis. Specifically, as of January 28, 2015, the P&C Insurance Broker earned commissions totaling \$173,165. The D&O Insurance Broker is also compensated on a commission basis, however, all commissions are accounted for in the annual premiums paid by the Debtors and paid by the applicable insurance carriers to the D&O Insurance Broker. The commissions earned by the D&O Insurance Broker for the director, officer, and other management liability policies currently in effect, including directors’ and officers’ runoff program discussed in paragraph 23, total approximately \$472,000.

11. As of the Petition Date, the Debtors are not aware of any amounts owed with respect to the Insurance Policies, including for premiums, deductibles, or commissions payable to the Insurance Brokers. Nevertheless, out of an abundance of caution and to account for potential variances between the Debtors’ estimated obligations and any obligations that may have accrued as of the Petition Date, the Debtors are seeking authority to make any payments necessary to continue the Insurance Policies.

⁷ Certain of the Insurance Policies are subject to audits pursuant to which the premium amounts may be adjusted based on actual loss rates. As of the Petition Date, however, no such audits have been completed, and none of the Debtors’ premiums have been adjusted.

(a) *The Debtors' Insurance Policies*

12. The Debtors' domestic insurance coverage includes the following nine lines: (a) workers' compensation and employer's liability; (b) automobile liability and physical damage; (c) commercial general liability; (d) non-owned aviation liability; (e) umbrella and excess liability; (f) property; (g) well control and care, custody, and control; (h) site pollution; and (i) director, officer, and other management liability.

13. Workers' Compensation & Employer's Liability: The Debtors workers' compensation and employer's liability insurance is required by law in several states where the Debtors conduct their business and covers the Debtors in all fifty states. Such insurance is provided to the Debtors through Tri-State Insurance Company of Minnesota. The policy has an annual premium of \$146,246. The policy applies to the Debtors' domestic employees and those temporarily travelling in Canada.

14. Automobile Liability & Physical Damage: The Debtors' automobile liability and physical damage insurance is provided by Berkley National Insurance Company. The policy has an annual premium of \$176,846 and includes a \$1,000 comprehensive deductible and a \$1,000 collision deductible. As a blanket policy, it covers each of the Debtors' owned or leased vehicles as well as hired (i.e., rented) and non-owned (i.e., personal) vehicles used by the Debtors' employees while on company business.

15. Commercial General Liability: The Debtors maintain general coverage for various forms of liability to third parties ("Commercial General Liability"). Gemini Insurance Company ("Gemini") is the carrier of the Commercial General Liability coverage, which includes a \$100,000 deductible and an annual premium of \$180,337. The Commercial General Liability coverage applies to the Debtors' domestic office and oilfield activities.

16. Non-Owned Aviation Liability: The Debtors insure for losses resulting from the operation of non-owned aircraft that exceed the coverage provided by the aircraft provider. The coverage applies worldwide but is limited to non-owned aircraft with a capacity of fifty (50) seats or less. This coverage is provided by StarNet Insurance Company and has an annual premium of \$9,495.

17. Umbrella & Excess Liability: The Debtors maintain an umbrella and excess liability insurance policy to provide excess coverage when the Debtors have reached the applicable policy limits under certain policies, including the following: (i) workers' compensation and employer's liability; (ii) automobile liability and physical damage; (iii) commercial general liability; and (iv) non-owned aviation liability. The Debtors also maintain second, third, and fourth layer excess liability coverage for such policies. The aggregate coverage provided by the four layers of coverage totals \$100 million in excess liability, with each additional \$25 million layer being provided by a different carrier.⁸ Each of the layers contains a \$25,000 self-insured retention for insured events not otherwise covered by the underlying insurance. The annual premiums on these policies total approximately \$383,065.

18. Property: The Debtors' property insurance covers real property, business property, personal property, and oil lease equipment contained in buildings or on real property owned or leased by the Debtors, including the Debtors' corporate office and all oilfield locations on file with the underwriters. The property insurance is provided by Liberty Mutual Insurance Company and has an annual premium of \$242,308.

⁸ The primary umbrella and excess liability insurance policy is provided by Gemini and, in general, covers the first \$25 million in excess liability. The second layer excess liability coverage is provided by Ironshore Specialty Insurance Company ("Ironshore") and, in general, covers the second \$25 million in excess liability. The third layer excess liability coverage is provided by Chubb Custom Insurance Company and, in general, covers the third \$25 million in excess liability. The fourth layer excess liability coverage is provided by Arch Insurance Company and, in general, covers the fourth \$25 million in excess liability.

19. Well Control & Care, Custody & Control: The Debtors maintain two separate well control and care, custody, and control insurance policies. These policies insure against losses incurred in the event that a well blow out occurs at one of the Debtors' drilling sites, including expenses incurred in regaining control of the well, addressing any environmental issues from the blow out, and resuming operation of the well. In addition, these policies also cover losses resulting from damage to non-owned property that is in the Debtors' custody and control. One of the well control and care, custody, and control insurance policies covers the Debtors' activities generally (excluding activities in Granbury, Texas), while the other policy only covers the Debtors' activities in Granbury, Texas. By applicable law, the Debtors are required to maintain the Granbury policy separately from their general well control and care, custody, and control policy. These policies are provided by certain syndicates of Lloyd's. The policies have an aggregate annual premium of \$135,950.

20. Site Pollution: The Debtors insure against losses resulting from pollution caused by the Debtors and, generally, their contractors that may occur over time as a result of the Debtors' operations. The policy is provided by Ironshore and has an annual premium of \$394,605.32.

21. Director, Officer & Management Liability: The Debtors maintain nine layers of directors' and officers' liability policies, each expiring on December 1, 2015. The primary policy is provided by AEGIS Insurance Services, Inc. ("AEGIS") and is subject to retention payments of up to \$1,000,000 depending on the type of the covered event. This primary policy also includes employment practices liability coverage. The primary policy has a separate \$10

million limit for each of directors' and officers' liability and employment practices liability. After certain credits,⁹ this policy has an annual premium of \$287,276.

22. Each of the nine (9) excess layers cover directors' and officers' liability only and each provide excess coverage only to the next layer of coverage. The providers of the excess layers and annual premiums are as follows:

Excess Layer:	Insurance Provider	Policy Premium
\$10–20 million	Illinois National Insurance Company	\$192,305
\$20–30 million	Allied World National Assurance Company	\$113,500
\$30–40 million	Illinois National Insurance Company	\$68,744
\$40–50 million	Freedom Specialty Insurance Company	\$58,000
\$50–60 million	Berkley Insurance Company	\$70,000
\$60–65 million	ACE American Insurance Company	\$40,000
\$65–75 million	Starr Indemnity & Liability Company	\$56,000
\$75–80 million	QBE North America	\$40,000
\$80-90 million	Endurance American Insurance Company	\$110,000

23. The Debtors also maintain a directors' and officers' liability six-year runoff program that includes coverage for "Claims" (as defined in the policy) arising six years following the Debtors' emergence from chapter 11 for alleged "Wrongful Acts" (as defined in the policy) leading up to and during these chapter 11 cases. The runoff program, which will provide \$90 million of new, unimpaired coverage limits, triggers upon the Debtors' emergence from chapter 11, and will include an exclusion for prior noticed "Claims." The program is comprised of policies issued by AEGIS and the Debtors' current excess directors' and officers' policies and mirrors the respective layers and limits currently in effect for those policies. The premiums for the runoff program total \$1,985,647.

⁹ These credits include (i) an AEGIS Continuity Credit of \$30,903 and (ii) a credit in the amount of \$46,821 for the portion of the annual premium that is allocated to the Non-Debtor Canadian Entities that also receive coverage under the this policy. Non-Debtor Quicksilver Resources Canada Inc. ("QRCI") pays the portion of the premium allocated to Canada directly to AEGIS.

24. In addition to directors' and officers' insurance, the Debtors maintain crime coverage, fiduciary liability, and employed lawyer professional policies. The crime coverage policy is provided by Federal Insurance Company and has an annual premium of \$14,996. The fiduciary liability policy and employed lawyer professional policy are each provided by Illinois National Insurance Company and have annual premiums of \$20,099 and \$22,500, respectively.

(b) Non-Debtor Canadian Insurance Policies

25. Except with respect to director' and officers' liability insurance, the Non-Debtor Canadian Entities maintain separate insurance coverage that is broken down into two sub-groups: (a) coverage for non-Debtor QRCI;¹⁰ and (b) coverage for non-Debtor Fortune Creek Gathering and Processing Partnership ("Fortune Creek"). In general, the QRCI coverage includes the following six lines: (a) automobile liability and physical damage; (b) general liability; (c) pollution liability; (d) non-owned aviation liability; (e) umbrella and excess liability; (f) property; and directors' and officers' liability.¹¹ The Fortune Creek coverage includes the following three lines: (a) general liability; (b) umbrella and excess liability; and (c) property.

26. As discussed in further detail in the First Day Declaration, the Non-Debtor Canadian Entities have entered into a forbearance and waiver agreement with their senior secured lenders, and as a result, the Non-Debtor Canadian Entities have not commenced insolvency proceedings. None of the Non-Debtor Canadian Entities are Debtors in these chapter 11 cases. The Debtors do not believe that the insurance coverage maintained by the Non-Debtor Canadian Entities is impacted by the commencement of these chapter 11 cases and the Debtors are not seeking any relief with respect to such insurance coverage by this Motion. For that

¹⁰ QRCI utilizes BFL Canada Insurance Services Inc. as its broker for Canadian property and casualty insurance policies.

¹¹ As previously discussed, non-Debtor QRCI is covered by the Debtors' directors' and officers' liability insurance policy. QRCI pays \$46,821 directly to AEGIS on account of the portion of the annual premium that is allocated to the Non-Debtor Canadian Entities.

reason, the Debtors have included a description of the insurance coverage maintained by the Non-Debtor Canadian Entities, including QRCI and Fortune Creek, in this Motion solely for the purpose of disclosure and out of an abundance of caution.

RELIEF REQUESTED

27. The Debtors submit this Motion pursuant to Bankruptcy Code sections 105(a) and 363(c) requesting entry of interim and final orders, substantially in the form attached hereto as **Exhibit A** and **Exhibit B** (the “Proposed Interim Order” and the “Proposed Final Order,” respectively), authorizing, but not directing, the Debtors to (a) continue their pre-petition Insurance Policies described herein covering, *inter alia*, workers’ compensation and employer’s liability, automobile liability, general commercial liability, non-owned aviation liability, umbrella and excess liability, property damage, well control liability, care, custody and control liability, site pollution liability, director and officer liability, fiduciary liability, and employed lawyers liability; (b) make annual premium payments in the ordinary course of business; (c) pay deductibles for claims covered by the Insurance Policies; (d) maintain funding for the Insurance Brokers; and (e) scheduling a final hearing (the “Final Hearing”) to consider entry of the Proposed Final Order; *provided, however*, that, in the event that no objections to entry of the Proposed Final Order are timely received, the Debtors request that the Court enter the Proposed Final Order without need for the Final Hearing.

28. In addition, the Debtors seek the authority, but not the direction, in the reasonable exercise of their business judgment to continue to honor, pay, satisfy, or remit certain claims and pre-petition obligations in an amount not to exceed \$100,000 subject to relief requested herein until either the Final Hearing or the Court enters the Proposed Final Order.

BASIS FOR RELIEF

A. Relief Is Proper Pursuant to Bankruptcy Code Sections 105(a) and 363(c)

29. The continuance of the Insurance Policies and the payment of associated deductibles, as necessary, are essential to the preservation of the Debtors' estates. Not only are some of the Insurance Policies required by the various regulations, laws, and contracts that govern the Debtors' commercial activities, but Bankruptcy Code section 1112(b)(4)(C) provides that "failure to maintain appropriate insurance that poses a risk to the estate or to the public," is "cause" for mandatory conversion or dismissal of a chapter 11 case. *See* 11 U.S.C. § 1112(b)(4)(C). Given the importance of maintaining pre-petition insurance coverage, bankruptcy courts routinely point to Bankruptcy Code sections 105(a) and 363(c) to authorize debtors to make all necessary payments.

30. Pursuant to Bankruptcy Code section 363(c), a debtor generally may, in the ordinary course of business, enter into transactions and use property of the estate. *See* 11 U.S.C. § 363(c). Bankruptcy Code section 105(a) further provides, in pertinent part, that "[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a).

31. Here, it is essential to the Debtors' continued operations and reorganization efforts that each of the above-described Insurance Policies be maintained. The potential exposure to the Debtors and their estates in the event that the Insurance Policies are not maintained is an unreasonable risk. The Insurance Policies that the Debtors seek to maintain by this Motion fall within the definition of payments made in the ordinary course of business as contemplated by Bankruptcy Code section 363(c). Accordingly, the Debtors submit that the use of the estates' funds to continue all Insurance Policies and pay necessary deductibles in the manner outlined above is permitted by the Bankruptcy Code.

B. Relief Is Proper Pursuant to the Doctrine of Necessity

32. Courts generally acknowledge that, under appropriate circumstances, they may authorize a debtor to pay (or provide special treatment for) certain pre-petition obligations. *See, e.g., In re Just for Feet, Inc.*, 242 B.R. 821, 824–25 (Bankr. D. Del. 1999) (noting that, in the Third Circuit, debtors may pay pre-petition claims that are essential to the continued operation of the debtor’s business); *In re Ionosphere Clubs, Inc.*, 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989) (granting the debtor the authority to pay pre-petition wages); *Armstrong World Indus., Inc. v. James A. Phillips, Inc.*, (*In re James A. Phillips, Inc.*), 29 B.R. 391, 397 (S.D.N.Y. 1983) (granting the debtor the authority to pay pre-petition claims of suppliers who were potential lien claimants). When authorizing payments of certain pre-petition obligations, courts have relied upon several legal theories rooted in Bankruptcy Code sections 1107(a), 1108, 363(b), and 105(a).

33. Consistent with a debtor’s fiduciary duties, where there is a sound business purpose for the payment of pre-petition obligations, and where the debtor is able to “articulate some business justification, other than the mere appeasement of major creditors,” courts have authorized debtors to make such payments under Bankruptcy Code section 363(b). *In re Ionosphere Clubs, Inc.* 98 B.R. at 175 (finding that a sound business justification existed to pay pre-petition wages); *see also, e.g., In re James A. Phillips, Inc.*, 29 B.R. at 397 (relying upon section 363 as a basis to allow a contractor to pay the pre-petition claims of suppliers who were potential lien claimants).

34. Courts have also authorized payment of pre-petition claims in appropriate circumstances pursuant to Bankruptcy Code section 105(a). Bankruptcy Code section 105(a), which codifies the inherent equitable powers of the bankruptcy court, empowers the bankruptcy court to “issue any order, process, or judgment that is necessary or appropriate to carry out the

provisions of this title.” 11 U.S.C. § 105(a). Under section 105(a), courts may permit pre-plan payments of pre-petition obligations when such payments are essential to the continued operation of the debtor’s business and, in particular, where nonpayment of a pre-petition obligation would trigger a withholding of goods or services essential to the debtors’ business reorganization plan. *See In re UNR Indus., Inc.*, 143 B.R. 506, 520 (Bankr. N.D. Ill. 1992) (permitting the debtor to pay pre-petition claims of suppliers or employees whose continued cooperation is essential to the debtors’ successful reorganization); *In re Ionosphere Clubs*, 98 B.R. at 177 (finding that section 105 empowers bankruptcy courts to authorize payment of pre-petition debt when such payment is needed to facilitate the rehabilitation of the debtor).

35. In addition to the authority granted a debtor in possession under Bankruptcy Code sections 1107(a), 1108, 363(b), and 105(a), courts have developed the “doctrine of necessity” or the “necessity of payment” rule, which originated in the landmark case of *Miltenberger v. Logansport, C. & S.W.R. Co.*, 106 U.S. 286, 310 (1882). Since *Miltenberger*, courts have expanded their application of the doctrine of necessity to cover instances of a debtor’s reorganization. *See Dudley v. Mealey*, 147 F.2d 268, 271 (2d Cir. 1945) (holding, in a hotel reorganization matter, that the court was not “helpless” to apply the rule to supply creditors where the alternative was the cessation of operations). The United States Court of Appeals for the Third Circuit recognized the doctrine in *In re Lehigh & New England Ry. Co.*, 657 F.2d 570, 581 (3d Cir. 1981).

36. In *Lehigh*, the Third Circuit held that a court could authorize the payment of pre-petition claims if such payment was essential to the continued operation of the debtor. *See id.* (stating that a court may authorize payment of pre-petition claims when there “is the possibility that the creditor will employ an immediate economic sanction, failing such payment”); *see also*

In re Penn Cent. Transp. Co., 467 F.2d 100, 102 n. 1 (3d Cir. 1972) (noting that the necessity of payment doctrine permits “immediate payment of claims of creditors where those creditors will not supply services or material essential to the conduct of the business until their pre-reorganization claims have been paid”); *In re Just for Feet, Inc.*, 242 B.R. at 824–25 (noting that debtors may pay pre-petition claims that are essential to continued operation of business); *In re Columbia Gas Sys., Inc.*, 171 B.R. 189, 191–92 (Bankr. D. Del. 1994) (same).

37. Today, the rationale for the necessity of payment rule—the rehabilitation of a debtor in reorganization cases—is “the paramount policy and goal of Chapter 11.” *In re Ionosphere Clubs, Inc.*, 98 B.R. at 176; *In re Just For Feet, Inc.*, 242 B.R. at 826 (finding that payment of pre-petition claims to certain trade vendors was “essential to the survival of the debtor during the chapter 11 reorganization.”); *see also In re Quality Interiors, Inc.*, 127 B.R. 391, 396 (Bankr. N.D. Ohio 1991) (“[P]ayment by a debtor-in-possession of pre-petition claims outside of a confirmed plan of reorganization is generally prohibited by the Bankruptcy Code”, but “[a] general practice has developed . . . where bankruptcy courts permit the payment of certain pre-petition claims, pursuant to 11 U.S.C. § 105, where the debtor will be unable to reorganize without such payment.”); *In re Eagle-Picher Indus., Inc.*, 124 B.R. 1021, 1023 (Bankr. S.D. Ohio 1991) (approving payment of pre-petition unsecured claims of tool makers as “necessary to avert a serious threat to the Chapter 11 process”); *Burchinal v. Cent. Wash. Bank (In re Adams Apple, Inc.)*, 829 F.2d 1484, 1490 (9th Cir. 1987) (finding that it is appropriate to provide for the “unequal treatment of pre-petition debts when [such treatment is] necessary for rehabilitation”); 3 Collier on Bankruptcy ¶ 105.04[5][a] (15th ed. rev. 2004) (discussing cases in which courts have relied upon the “doctrine of necessity” or the “necessity of payment” rule to pay pre-petition claims immediately).

38. Failure to pay amounts related to the Insurance Policies when due may harm the Debtors' estates in several ways. Specifically, there is the potential for an insurance company to terminate coverage, which would likely place additional strain on the Debtors' relationships with key employees who benefit from the Debtors' insurance coverage, and would also eviscerate the Debtors' ability to prevent loss in value caused by casualty, natural disasters, or other unforeseen events. The subsequent need to obtain replacement insurance at a likely higher price and the severe, adverse effect any interruption of payment would have on the Debtors' ability to finance premiums on future policies suggest that continued payment of insurance premiums is necessary to a successful reorganization. In addition, the Debtors operate in an industry replete with sophisticated instrumentality where costs associated with an unforeseen and uninsured event could have catastrophic consequences on the Debtors' ability to reorganize. Finally, many of the Debtors' contracts require the Debtors to maintain insurance coverage.

39. In light of the importance of maintaining insurance coverage with respect to business activities, the Debtors submit that it is in the best interest of the Debtors' estates to maintain the Insurance Policies and to pay related amounts as described herein under the Bankruptcy Code.

40. Courts in this jurisdiction and others have approved relief similar to the relief requested here. *See, e.g., In re Dendreon Corp., et al.*, No. 14-12515 (PJW) (Bankr. D. Del. Nov. 12, 2014) (Docket No. 55); *In re Windsor Petroleum Transport Corp., et al.*, No. 14-11708 (PJW) (Bankr. D. Del. July 17, 2014) (Docket No. 16); *In re Savient Pharms., Inc.*, No. 13-12680 (MFW) (Bankr. D. Del. Oct. 16, 2013) (Docket No. 39); *In re iBAHN Corp.*, No. 13-12285 (PJW) (Bankr. D. Del. Sept. 9, 2013) (Docket No. 31); *In re iGPS Company LLC*, No. 13-11459 (KG) (Bankr. D. Del. June 7, 2013) (Docket No. 59) (granting the requested relief to

provide awareness of the automatic stay to third parties in U.S.); *In re Prince Sports, Inc., et al.*, No. 12-11439 (KJC) (Bankr. D. Del. May 5, 2012) (Docket No. 30).¹²

C. The Requirements of Bankruptcy Rule 6003 Are Satisfied

41. Bankruptcy Rule 6003, in relevant part, states: “Except to the extent that relief is necessary to avoid immediate and irreparable harm, the court shall not, within 21 days after the filing of the petition, grant relief regarding . . . a motion to use, sell, lease, or otherwise incur an obligation regarding property of the estate[.]” Fed. R. Bankr. P. 6003. Under Bankruptcy Rule 6003, the Court may authorize the Debtors to satisfy amounts due on account of the Insurance Policies because such relief is necessary to avoid immediate and irreparable harm to the Debtors’ estates. Immediate and irreparable harm exists where the absence of relief would impair a debtor’s ability to reorganize or threaten the debtor’s future as a going concern. *See In re Ames Dep’t Stores, Inc.*, 115 B.R. 34, 36 n.2 (Bankr. S.D.N.Y. 1990) (discussing the elements of “immediate and irreparable harm” in relation to Bankruptcy Rule 4001).

42. In this case, the Debtors submit that the requirement in Bankruptcy Rule 6003 is satisfied. Specifically, if the Debtors do not obtain the relief requested, they would suffer immediate and irreparable harm because (a) the Debtors may not be able to continue their operations if an insurance company terminated coverage due to nonpayment of premiums since many of the Insurance Policies are required by law, (b) the Debtors would be at severe risk of jeopardizing their assets if they did not have coverage for high-cost occurrences, such as accidental death or injury to its workers, (c) the Debtors would be at risk for litigation by counterparties to contracts that require the Debtors to maintain insurance coverage, and (d) the Debtors’ assets would be harmed by the subsequent need to obtain replacement insurance at a

¹² Because of the voluminous nature of the orders cited herein, such orders are not attached to this Motion. Copies of these orders are available on request to the Debtors’ proposed counsel.

likely higher price. Accordingly, the Debtors submit that the relief sought in the Interim Order is appropriate and should be approved.

D. The Court Should Authorize Banks and Other Financial Institutions to Honor and Pay Checks Issued and Make Other Transfers to Pay Insurance Obligations

43. The Debtors request that the Court authorize the Debtors' banks and financial institutions, at the Debtors' direction, to receive, process, honor, and pay, to the extent of funds on deposit, all such checks and electronic payment requests by the Debtors relating to the Insurance Policies. The Debtors also request that the Court authorize the Debtors' banks and other financial institutions to rely on the Debtors' designation of any particular check or electronic payment request as being approved by this Order. Additionally, the Debtors seek authority to issue post-petition checks or to effect post-petition transfer requests in replacement of any checks or fund transfer requests that are dishonored as a consequence of the chapter 11 cases with respect to pre-petition amounts authorized to be paid herein.¹³

WAIVER OF BANKRUPTCY RULE 6004(A) AND 6004(H)

44. Given the nature of the relief requested herein, the Debtors respectfully request, out of an abundance of caution, a waiver of (a) the notice requirements under Bankruptcy Rule 6004(a), and (b) the fourteen day stay under Bankruptcy Rule 6004(h), to the extent that either rule is applicable.

DEBTORS' RESERVATION OF RIGHTS

45. Nothing contained herein is intended or should be construed as an admission as to the validity of any claim against the Debtors, a waiver of the Debtors' rights to dispute any claim, or an approval or assumption of any agreement, contract, or lease under Bankruptcy Code

¹³ The Debtors do not believe that any such checks are outstanding as of the Petition Date. Nevertheless, the Debtors request foregoing relief out of an abundance of caution in the event a claim is made post-petition relating to an event that occurred prior to the Petition Date.

section 365. Likewise, if this Court grants the relief sought herein, any payment made pursuant to the Court's order is not intended and should not be construed as an admission as to the validity of any claim or a waiver of the Debtors' rights to dispute such claim subsequently.

NOTICE

46. No trustee, examiner, or creditors' committee has been appointed in the Debtors' chapter 11 cases. The Debtors have provided notice of this Motion to (a) the Office of the United States Trustee for the District of Delaware, Attn: Jane Leamy, Esq.; (b) the entities listed on the Consolidated List of Creditors Holding the 30 Largest Unsecured Claims filed pursuant to Bankruptcy Rule 1007(d); (c) counsel to the agents under the Debtors' pre-petition credit facilities; (d) counsel to the Ad Hoc Group of Second Lienholders; (e) counsel to the indenture trustees under the Debtors' pre-petition indentures; (f) the United States Securities and Exchange Commission; (g) the United States Internal Revenue Service; and (h) any parties entitled to notice pursuant to Local Rule 9013-1(m). In light of the nature of the relief requested in this Motion, the Debtors respectfully submit that no further notice is necessary.

WHEREFORE, for the reasons set forth herein, the Debtors respectfully request that the Court (a) enter the Interim Order, substantially in the form annexed as **Exhibit A** hereto, granting the relief requested in the Motion, (b) schedule a final hearing on the Motion within thirty days of the Petition Date or as soon as is otherwise practicable thereafter to consider entry of the Final Order substantially in the form annexed as **Exhibit B** hereto, and (c) grant such other and further relief as may be just and proper.

Wilmington, Delaware
Date: March 17, 2015

/s/ Paul N. Heath

RICHARDS, LAYTON & FINGER, P.A.

Paul N. Heath (DE 3704)
Amanda R. Steele (DE 5530)
Rachel L. Biblo (DE 6012)
One Rodney Square
920 North King Street
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– and –

AKIN GUMP STRAUSS HAUER & FELD LLP

Charles R. Gibbs (*pro hac vice* motion pending)
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Ashleigh L. Blaylock (*pro hac vice* motion pending)
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Washington, DC 20036-1564
Telephone: (202) 887-4000
Facsimile: (202) 887-4288

**PROPOSED COUNSEL FOR DEBTORS AND
DEBTORS IN POSSESSION**

Exhibit A

Proposed Interim Order

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

In re:)	
	)	Chapter 11
Quicksilver Resources Inc., <u>et al.</u> , ¹	)	Case No. 15-10585 ()
)	
Debtors.	)	Joint Administration Requested
)	

**INTERIM ORDER AUTHORIZING, BUT NOT DIRECTING,
THE DEBTORS TO (A) CONTINUE PRE-PETITION INSURANCE
COVERAGE AND (B) MAINTAIN FUNDING FOR THE INSURANCE BROKERS**

Upon the Motion² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”), for entry of this Order pursuant to Bankruptcy Code sections 105(a) and 363(c) and Bankruptcy Rule 6003 authorizing, but not directing, the Debtors to (a) continue their pre-petition insurance policies described herein covering, *inter alia*, workers’ compensation and employer’s liability, automobile liability, commercial general liability, non-owned aviation liability, umbrella and excess liability, property damage, well control liability, care, custody and control liability, site pollution liability, director and officer liability, fiduciary liability, and employed lawyers liability; (b) make annual and monthly premium payments in the ordinary course of business; (c) maintain funding for the Insurance Brokers; and (d) scheduling a Final Hearing to consider entry of the Final Order to the extent a Final Hearing is necessary, all as further described in the Motion; and the Court having jurisdiction to consider this Motion and the

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Quicksilver Resources Inc. [6163]; Barnett Shale Operating LLC [0257]; Cowtown Drilling, Inc. [8899]; Cowtown Gas Processing L.P. [1404]; Cowtown Pipeline Funding, Inc. [9774]; Cowtown Pipeline L.P. [9769]; Cowtown Pipeline Management, Inc. [9771]; Makarios Resources International Holdings LLC [1765]; Makarios Resources International Inc. [7612]; QPP Holdings LLC [0057]; QPP Parent LLC [8748]; Quicksilver Production Partners GP LLC [2701]; Quicksilver Production Partners LP [9129]; and Silver Stream Pipeline Company LLC [9384]. The Debtors’ address is 801 Cherry Street, Suite 3700, Unit 19, Fort Worth, Texas 76102.

² All capitalized terms not otherwise defined herein are to be given the meanings ascribed to them in the Motion.

relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the relief requested therein being a core proceeding in accordance with 28 U.S.C. § 157(b)(2); and venue being proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion being adequate and appropriate under the particular circumstances; and a hearing having been held to consider the relief requested in the Motion; and upon the First Day Declaration, the record of the hearing and all proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors' estates, their creditors and other parties in interest and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and any objections to the requested relief having been withdrawn or overruled on the merits; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED:

1. The Motion is granted on an interim basis to the extent provided herein.
2. The Debtors are authorized to continue the Insurance Policies uninterrupted, including, in their sole discretion, making payments due to maintain certain Insurance Policies during the period from the Petition Date until either the Final Hearing or the Court enters the Proposed Final Order.
3. The Debtors are authorized, in their sole discretion, subject to the terms of any cash collateral or financing order entered by the Court, to pay any pre-petition amounts due in connection with the Insurance Policies during the period from the Petition Date until either the Final Hearing or the Court enters the Proposed Final Order.
4. The Debtors are authorized, in their sole discretion, subject to the terms of any cash collateral or financing order entered by the Court, to pay the Insurance Brokers any pre-

petition amounts due during the period from the Petition Date until either the Final Hearing or the Court enters the Proposed Final Order.

5. The Debtors are authorized, in their sole discretion, subject to the terms of any cash collateral or financing order entered by the Court, to pay any deductibles on claims covered by the Insurance Policies.

6. Notwithstanding the foregoing, any payments made on account of pre-petition obligations authorized to be paid pursuant to this Interim Order shall not exceed \$100,000.

7. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the pre-petition obligations approved herein are authorized to receive, process, honor, and pay, to the extent of funds on deposit, all such checks and electronic payment requests when presented for payment, provided that sufficient funds are on deposit in the applicable accounts to cover such payments, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as being approved by this Interim Order.

8. The Debtors are authorized, but not directed, to issue post-petition checks or to effect post-petition fund transfer requests in replacement of any checks or fund transfer requests that are dishonored as a consequence of the chapter 11 cases with respect to pre-petition amounts authorized to be paid herein.

9. The requirements set forth in Bankruptcy Rule 6003(b) are satisfied by the contents of the Motion or are otherwise deemed waived.

10. Notwithstanding the possible applicability of Bankruptcy Rules 6004(h), 7062, 9014 or otherwise, this Interim Order shall be immediately effective and enforceable upon its entry.

11. Any payment made pursuant to this Interim Order is not intended and should not be construed as an admission as to the validity or priority of any claim or a waiver of the Debtors' rights to subsequently dispute such claim, and any such payment is not intended and should not be construed as an assumption of any executory contract or obligation of the Debtors.

12. Notwithstanding the relief granted herein and any actions taken hereunder, nothing contained in this Interim Order shall constitute, nor is it intended to constitute, an admission as to the validity or priority of any claim against the Debtors, the creation of an administrative priority claim on account of the pre-petition obligations sought to be paid, or the assumption or adoption of any contract or agreement under Bankruptcy Code section 365.

13. Notice of the Motion as provided therein shall be deemed good and sufficient and the requirements of Bankruptcy Rule 6004(a) are satisfied by such notice.

14. The Final Hearing on the Motion shall be held on _____, 2015 at ____:____ __.m. (prevailing Eastern Time). Any objections or responses to entry of the proposed Final Order shall be filed on or before seven calendar days before the Final Hearing and served on the following parties: (a) Akin Gump Strauss Hauer & Feld LLP, 1700 Pacific Avenue, Suite 4100, Dallas, TX 75201, Attn: Charles R. Gibbs, Esq. and Sarah Link Schultz, Esq., proposed counsel to the Debtors; (b) Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, DE 19801, Attn: Paul N. Heath, Esq., proposed Delaware counsel to the Debtors; (c) Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, NY 10017, Attn: Steven M. Fuhrman, Esq., counsel to the First Lien Agent; (d) Latham & Watkins LLP, 885 Third Avenue, Suite 1000, New York, NY 10022, Attn: Mitchell A. Seider, Esq., counsel to the Second Lien Agent; (e) Emmet, Marvin & Martin LLP, 120 Broadway, 32nd Floor, New York, NY 10271, Attn: Edward P. Zujkowski, counsel to the Second Lien Indenture

Trustee; (f) Milbank, Tweed, Hadley & McCloy LLP, 28 Liberty Street, New York, NY 10005, Attn: Dennis F. Dunne, Esq. and Samuel A. Khalil, Esq., counsel to the Ad Hoc Group of Second Lienholders; and (g) the Office of the United States Trustee for Region 3, 844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801, Attn: Jane Leamy, Esq., no later than ____:____ __.m. (prevailing Eastern Time) on _____, 2015.

15. In the event that no objections are timely received, the Court may enter the Proposed Final Order without need for the Final Hearing.

16. Notwithstanding the possible applicability of Bankruptcy Rules 6004(h), 7062, 9014 or otherwise, this Interim Order shall be immediately effective and enforceable upon its entry.

17. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Interim Order in accordance with the Motion.

18. The Court retains jurisdiction with respect to all matters arising from or related to the interpretation or implementation of this Interim Order.

Wilmington, Delaware
Date: _____, 2015

United States Bankruptcy Judge

Exhibit B

Proposed Final Order

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

In re:)	
	)	Chapter 11
Quicksilver Resources Inc., <u>et al.</u> , ¹	)	Case No. 15-10585 ()
)	
Debtors.	)	Joint Administration Requested
)	

**FINAL ORDER AUTHORIZING, BUT NOT DIRECTING,
THE DEBTORS TO (A) CONTINUE PRE-PETITION INSURANCE
COVERAGE AND (B) MAINTAIN FUNDING FOR THE INSURANCE BROKERS**

Upon the Motion² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”), for entry of this Order pursuant to Bankruptcy Code sections 105(a) and 363(c) and Bankruptcy Rule 6003 authorizing, but not directing, the Debtors to (a) continue their pre-petition insurance policies described herein covering, *inter alia*, workers’ compensation and employer’s liability, automobile liability, commercial general liability, non-owned aviation liability, umbrella and excess liability, property damage, well control liability, care, custody and control liability, site pollution liability, director and officer liability, fiduciary liability, and employed lawyers liability; (b) make annual and monthly premium payments in the ordinary course of business; (c) maintain funding for the Insurance Broker; and (d) scheduling a Final Hearing to consider entry of the Final Order to the extent a Final Hearing is necessary, all as further described in the Motion; and the Court having entered the Interim Order captioned

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Quicksilver Resources Inc. [6163]; Barnett Shale Operating LLC [0257]; Cowtown Drilling, Inc. [8899]; Cowtown Gas Processing L.P. [1404]; Cowtown Pipeline Funding, Inc. [9774]; Cowtown Pipeline L.P. [9769]; Cowtown Pipeline Management, Inc. [9771]; Makarios Resources International Holdings LLC [1765]; Makarios Resources International Inc. [7612]; QPP Holdings LLC [0057]; QPP Parent LLC [8748]; Quicksilver Production Partners GP LLC [2701]; Quicksilver Production Partners LP [9129]; and Silver Stream Pipeline Company LLC [9384]. The Debtors’ address is 801 Cherry Street, Suite 3700, Unit 19, Fort Worth, Texas 76102.

² All capitalized terms not otherwise defined herein are to be given the meanings ascribed to them in the Motion.

Interim Order Authorizing, But Not Directing, the Debtors to (a) Continue Pre-Petition Insurance Coverage and (b) Maintain Funding for the Insurance Broker [Docket No. ___]; and the Court having jurisdiction to consider this Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the relief requested therein being a core proceeding in accordance with 28 U.S.C. § 157(b)(2); and venue being proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion being adequate and appropriate under the particular circumstances; and a Final Hearing having been held to consider the relief requested in the Motion; and upon the First Day Declaration, the record of the hearing and all proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors' estates, their creditors and other parties in interest and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and any objections to the requested relief having been withdrawn or overruled on the merits; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED:

1. The Motion is granted on a final basis to the extent provided herein.
2. The Debtors are authorized to continue the Insurance Policies uninterrupted, including, in their sole discretion, making payments to maintain certain Insurance Policies.
3. The Debtors are authorized, in their sole discretion, subject to the terms of any cash collateral or financing order entered by the Court, to pay any pre-petition amounts due in connection with the Insurance Policies.
4. The Debtors are authorized, in their sole discretion, subject to the terms of any cash collateral or financing order entered by the Court, to pay the Insurance Brokers any pre-petition amounts due.

5. The Debtors are authorized, in their sole discretion, subject to the terms of any cash collateral or financing order entered by the Court, to pay any deductibles on claims covered by the Insurance Policies.

6. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the pre-petition obligations approved herein are authorized to receive, process, honor, and pay, to the extent of funds on deposit, all such checks and electronic payment requests when presented for payment, provided that sufficient funds are on deposit in the applicable accounts to cover such payments, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as being approved by this Order.

7. The Debtors are authorized, but not directed, to issue post-petition checks or to effect post-petition fund transfer requests in replacement of any checks or fund transfer requests that are dishonored as a consequence of the chapter 11 cases with respect to pre-petition amounts authorized to be paid herein.

8. The requirements set forth in Bankruptcy Rule 6003(b) are satisfied by the contents of the Motion or are otherwise deemed waived.

9. Notwithstanding the possible applicability of Bankruptcy Rules 6004(h), 7062, 9014 or otherwise, this Order shall be immediately effective and enforceable upon its entry.

10. Any payment made pursuant to this Order is not intended and should not be construed as an admission as to the validity or priority of any claim or a waiver of the Debtors' rights to subsequently dispute such claim, and any such payment is not intended and should not be construed as an assumption of any executory contract or obligation of the Debtors.

11. Notwithstanding the relief granted herein and any actions taken hereunder, nothing contained in this Order shall constitute, nor is it intended to constitute, an admission as to the validity or priority of any claim against the Debtors, the creation of an administrative priority claim on account of the pre-petition obligations sought to be paid, or the assumption or adoption of any contract or agreement under Bankruptcy Code section 365.

12. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

13. The Court retains jurisdiction with respect to all matters arising from or related to the interpretation or implementation of this Order.

Wilmington, Delaware

Date: _____, 2015

United States Bankruptcy Judge

Exhibit C

Summary of Insurance Policies

Insurer	Type	Policy Number	Effective Dates	Coverage Summary	Premium
Tri-State Insurance Company of Minnesota	Workers Compensation	XXXXXXXXXX-12	6/1/2014 - 6/1/2015	-Statutory Benefits -\$1MM Employers Liability	\$146,246.00
Berkley National Insurance Company	Automobile	XXXXXXXXXX-12	6/1/2014 - 6/1/2015	-\$1MM Liability -\$1MM Uninsured Motorist -\$10,000 Personal Injury -\$5,000 Medical Payments -Actual Cash Value-Physical Damage	\$176,846.00
Gemini Insurance Company	Commercial General Liability	XXXXXXXX11	6/1/2014 - 6/1/2015	-\$2MM - General Aggregate -\$2MM Products/Compl. Ops. Aggregate -\$1MM Personal & Adv. Injury ea. Person -\$1MM Each Occurrence -\$1MM/\$3MM Employee Benefits Liab.	\$180,337.00
StarNet Insurance Company	Non-Owned Aviation	XX-XX-XX-XXX12	6/1/2014 - 6/1/2015	-\$20MM each occurrence BI/PD combined -\$20MM Aviation Premises Liability -\$20MM Aggregate for Personal Injury	\$9,495.00

Insurer	Type	Policy Number	Effective Dates	Coverage Summary	Premium
Gemini Insurance Company	Umbrella/Excess Liability	XXXXXXXXXX14	6/1/2014 - 6/1/2015	-\$25MM General Aggregate -\$25MM Products/Compl. Ops Aggregate -\$25MM Each Occurrence	\$201,101.98
Ironshore Specialty Insurance Company	Umbrella/Excess Liability	XXXX-XX-71	6/1/2014 - 6/1/2015	-\$25MM General Aggregate -\$25MM Products/Compl. Ops Aggregate -\$25MM Each Occurrence	\$75,000.00
Chubb Custom Insurance Company	Umbrella/Excess Liability	XXXXXXXX-XXX99	6/1/2014 - 6/1/2015	-\$25MM General Aggregate -\$25MM Products/Compl. Ops Aggregate -\$25MM Each Occurrence	\$56,963.00
Arch Insurance Company	Umbrella/Excess Liability	XXXXXXXXXXXX-01	6/1/2014 - 6/1/2015	-\$25MM General Aggregate -\$25MM Products/Compl. Ops Aggregate -\$25MM Each Occurrence	\$50,000.00
Liberty Mutual Insurance Company	Property	XXXXXXXXXX01	6/1/2014 - 6/1/2015	-\$25MM Scheduled Property, except various sublimits	\$242,308.00

Insurer	Type	Policy Number	Effective Dates	Coverage Summary	Premium
Underwriters at Lloyd's, London Syndicate Number 1084	Well Control	XXXXXXXXXAA	6/1/2014 - 6/1/2015	-\$3MM-\$20MM Each Occurrence, depending on area and Completion AFE Cost -\$7.5MM - Care, Custody & Control	\$128,144.94
Underwriters at Lloyd's, London Syndicate Number 1084	Well Control	XXXXXXXXXAA	6/1/2014-6/1/2015	-\$10MM Each Occurrence, City of Granbury, TX -\$7.5MM - Care, Custody & Control	\$7,804.25
Ironshore Specialty Insurance Company	Site Pollution Liability	XXXXXXXX03	6/1/2014 - 6/1/2015	-\$5MM Each Incident -\$15MM Policy Aggregate	\$394,605.32
AEGIS Insurance Services, Inc.	Primary Directors and Officers Employment Practices Liability	XXXXXXXXXX4P	12/1/2014 - 12/1/2015	-\$10MM Aggregate D&O -\$10MM Employment Practices Liability	\$287,276.00
Illinois National Insurance Company	Excess Directors and Officers	XX-XXX-XX-11	12/1/2014 - 12/1/2015	-\$10MM Excess D&O	\$192,305.00
Allied World National Assurance Company	Excess Directors and Officers	XXXX-XX76	12/1/2014 - 12/1/2015	-\$10MM Excess D&O	\$113,500.00

Insurer	Type	Policy Number	Effective Dates	Coverage Summary	Premium
Illinois National Insurance Company	Excess Directors and Officers	XX-XXX-XX-55	12/1/2014 - 12/1/2015	-\$10MM Excess D&O	\$68,744.00
Freedom Specialty Insurance Company	Excess Directors and Officers	XXXXXXXXX08	12/1/2014 - 12/1/2015	-\$10MM Excess D&O	\$58,000.00
Berkley Professional Liability, LLC	Excess Directors and Officers	XXXXXXX82	12/1/2014 - 12/1/2015	-\$10MM Excess D&O	\$70,000.00
ACE American Insurance Company Chief Underwriting Officer ACE USA - Professional Risk	Excess Directors and Officers Side A-DIC	XXX XXXXXXXXXX 006	12/1/2014 - 12/1/2015	-\$5MM Excess D&O/Side A-DIC	\$40,000.00
Starr Indemnity & Liability Company	Excess Directors and Officers Side A-DIC	XXXXXXXXXXXX XXX14	12/1/2014 - 12/1/2015	-\$10MM Excess D&O/Side A-DIC	\$56,000.00
QBE Insurance Corporation	Excess Directors and Officers Side A-DIC	XXXXXXXXXX31	12/1/2014 - 12/1/2015	-\$5MM Excess D&O/Side A-DIC	\$40,000.00

Insurer	Type	Policy Number	Effective Dates	Coverage Summary	Premium
Endurance American Insurance Company	Excess Directors and Officers Side A-DIC	XXXXXXXXXX XXX00	3/4/2015 - 12/1/2015	-\$10MM Excess D&O/Side A-DIC	\$110,000.00
Various	Directors and Officers "Run-Off"	n/a	TBD	\$90MM	\$1,985,647.00
Federal Insurance Company Chubb Group of Insurance Companies	Crime	XXXX-XX98	12/1/2014 - 12/1/2015	-\$5MM Aggregate	\$14,996.00
Illinois National Insurance Company	Corporate Counsel Professional Liability	XX-XXX-XX-20	12/1/2014 - 12/1/2015	-\$5MM Aggregate	\$22,500.00
Illinois National Insurance Company	Fiduciary Liability	XX-XXX-XX-71	12/1/2014 - 12/1/2015	-\$10MM Aggregate	\$20,099.00

File a First Day Motion:15-10585 Quicksilver Resources Inc.

Type: bk Chapter: 11 v Office: 1 (Delaware)
 Assets: y Case Flag: PlnDue, VerifDue,
 DsclsDue

U.S. Bankruptcy Court**District of Delaware**

Notice of Electronic Filing

The following transaction was received from Amanda R. Steele entered on 3/17/2015 at 6:19 PM EDT and filed on 3/17/2015

Case Name: Quicksilver Resources Inc.

Case Number: [15-10585](#)

Document Number: [9](#)

Docket Text:

Motion Regarding Chapter 11 First Day Motions (*Debtors' Motion for Interim and Final Orders Authorizing, but not Directing, the Debtors to (A) Continue Pre-Petition Insurance Coverage and (B) Maintain Funding for the Insurance Brokers*) Filed By Quicksilver Resources Inc. (Steele, Amanda)

The following document(s) are associated with this transaction:

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15-10585 Notice will be electronically mailed to:

Paul N. Heath on behalf of Debtor Quicksilver Resources Inc.
 RBGroup@rlf.com

Paul Noble Heath on behalf of Debtor Quicksilver Resources Inc.
 heath@rlf.com, RBGroup@rlf.com

Amanda R. Steele on behalf of Debtor Quicksilver Resources Inc.
 steele@rlf.com, rbgroup@rlf.com

United States Trustee
 USTPREGION03.WL.ECF@USDOJ.GOV

15-10585 Notice will not be electronically mailed to:

Exhibit B

Interim Order

ORIGINAL

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

In re:	)	)	)	)	Chapter 11
Quicksilver Resources Inc., <u>et al.</u> , ¹	)	)	)	)	Case No. 15-10585 (LSS)
Debtors.	)	)	)	)	Joint Administration Requested
	)	)	)	)	Re: Docket No. 9

**INTERIM ORDER AUTHORIZING, BUT NOT DIRECTING,
THE DEBTORS TO (A) CONTINUE PRE-PETITION INSURANCE
COVERAGE AND (B) MAINTAIN FUNDING FOR THE INSURANCE BROKERS**

Upon the Motion² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”), for entry of this Order pursuant to Bankruptcy Code sections 105(a) and 363(c) and Bankruptcy Rule 6003 authorizing, but not directing, the Debtors to (a) continue their pre-petition insurance policies described herein covering, *inter alia*, workers’ compensation and employer’s liability, automobile liability, commercial general liability, non-owned aviation liability, umbrella and excess liability, property damage, well control liability, care, custody and control liability, site pollution liability, director and officer liability, fiduciary liability, and employed lawyers liability; (b) make annual and monthly premium payments in the ordinary course of business; (c) maintain funding for the Insurance Brokers; and (d) scheduling a Final Hearing to consider entry of the Final Order to the extent a Final Hearing is necessary, all as further described in the Motion; and the Court having jurisdiction to consider this Motion and the

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Quicksilver Resources Inc. [6163]; Barnett Shale Operating LLC [0257]; Cowtown Drilling, Inc. [8899]; Cowtown Gas Processing L.P. [1404]; Cowtown Pipeline Funding, Inc. [9774]; Cowtown Pipeline L.P. [9769]; Cowtown Pipeline Management, Inc. [9771]; Makarios Resources International Holdings LLC [1765]; Makarios Resources International Inc. [7612]; QPP Holdings LLC [0057]; QPP Parent LLC [8748]; Quicksilver Production Partners GP LLC [2701]; Quicksilver Production Partners LP [9129]; and Silver Stream Pipeline Company LLC [9384]. The Debtors’ address is 801 Cherry Street, Suite 3700, Unit 19, Fort Worth, Texas 76102.

² All capitalized terms not otherwise defined herein are to be given the meanings ascribed to them in the Motion.

relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the relief requested therein being a core proceeding in accordance with 28 U.S.C. § 157(b)(2); and venue being proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion being adequate and appropriate under the particular circumstances; and a hearing having been held to consider the relief requested in the Motion; and upon the First Day Declaration, the record of the hearing and all proceedings had before the Court; and the Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors' estates, their creditors and other parties in interest and that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and any objections to the requested relief having been withdrawn or overruled on the merits; and after due deliberation and sufficient cause appearing therefor, it is hereby ORDERED:

1. The Motion is granted on an interim basis to the extent provided herein.
2. The Debtors are authorized to continue the Insurance Policies uninterrupted, including, in their sole discretion, making payments due to maintain certain Insurance Policies during the period from the Petition Date until either the Final Hearing or the Court enters the Proposed Final Order.
3. The Debtors are authorized, in their sole discretion, subject to the terms of any cash collateral or financing order entered by the Court, to pay any pre-petition amounts due in connection with the Insurance Policies during the period from the Petition Date until either the Final Hearing or the Court enters the Proposed Final Order.
4. The Debtors are authorized, in their sole discretion, subject to the terms of any cash collateral or financing order entered by the Court, to pay the Insurance Brokers any pre-

petition amounts due during the period from the Petition Date until either the Final Hearing or the Court enters the Proposed Final Order.

5. The Debtors are authorized, in their sole discretion, subject to the terms of any cash collateral or financing order entered by the Court, to pay any deductibles on claims covered by the Insurance Policies.

6. Notwithstanding the foregoing, any payments made on account of pre-petition obligations authorized to be paid pursuant to this Interim Order shall not exceed \$100,000.

7. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the pre-petition obligations approved herein are authorized to receive, process, honor, and pay, to the extent of funds on deposit, all such checks and electronic payment requests when presented for payment, provided that sufficient funds are on deposit in the applicable accounts to cover such payments, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as being approved by this Interim Order.

8. The Debtors are authorized, but not directed, to issue post-petition checks or to effect post-petition fund transfer requests in replacement of any checks or fund transfer requests that are dishonored as a consequence of the chapter 11 cases with respect to pre-petition amounts authorized to be paid herein.

9. The requirements set forth in Bankruptcy Rule 6003(b) are satisfied by the contents of the Motion or are otherwise deemed waived.

10. Notwithstanding the possible applicability of Bankruptcy Rules 6004(h), 7062, 9014 or otherwise, this Interim Order shall be immediately effective and enforceable upon its entry.

11. Any payment made pursuant to this Interim Order is not intended and should not be construed as an admission as to the validity or priority of any claim or a waiver of the Debtors' rights to subsequently dispute such claim, and any such payment is not intended and should not be construed as an assumption of any executory contract or obligation of the Debtors.

12. Notwithstanding the relief granted herein and any actions taken hereunder, nothing contained in this Interim Order shall constitute, nor is it intended to constitute, an admission as to the validity or priority of any claim against the Debtors, the creation of an administrative priority claim on account of the pre-petition obligations sought to be paid, or the assumption or adoption of any contract or agreement under Bankruptcy Code section 365.

13. Notice of the Motion as provided therein shall be deemed good and sufficient and the requirements of Bankruptcy Rule 6004(a) are satisfied by such notice.

14. The Final Hearing on the Motion shall be held on April 15, 2015 at 2:00 p.m. (prevailing Eastern Time). Any objections or responses to entry of the proposed Final Order shall be filed on or before seven calendar days before the Final Hearing and served on the following parties: (a) Akin Gump Strauss Hauer & Feld LLP, 1700 Pacific Avenue, Suite 4100, Dallas, TX 75201, Attn: Charles R. Gibbs, Esq. and Sarah Link Schultz, Esq., proposed counsel to the Debtors; (b) Richards, Layton & Finger, P.A., One Rodney Square, 920 North King Street, Wilmington, DE 19801, Attn: Paul N. Heath, Esq., proposed Delaware counsel to the Debtors; (c) Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, NY 10017, Attn: Steven M. Fuhrman, Esq., counsel to the First Lien Agent; (d) Latham & Watkins LLP, 885 Third Avenue, Suite 1000, New York, NY 10022, Attn: Mitchell A. Seider, Esq., counsel to the Second Lien Agent; (e) Emmet, Marvin & Martin LLP, 120 Broadway, 32nd Floor, New York, NY 10271, Attn: Edward P. Zujkowski, counsel to the Second Lien Indenture

Trustee; (f) Milbank, Tweed, Hadley & McCloy LLP, 28 Liberty Street, New York, NY 10005, Attn: Dennis F. Dunne, Esq. and Samuel A. Khalil, Esq., counsel to the Ad Hoc Group of Second Lienholders; and (g) the Office of the United States Trustee for Region 3, 844 King Street, Suite 2207, Lockbox 35, Wilmington, DE 19801, Attn: Jane Leamy, Esq., no later than 4:00 p.m. (prevailing Eastern Time) on April 8, 2015.

15. In the event that no objections are timely received, the Court may enter the Proposed Final Order without need for the Final Hearing.

16. Notwithstanding the possible applicability of Bankruptcy Rules 6004(h), 7062, 9014 or otherwise, this Interim Order shall be immediately effective and enforceable upon its entry.

17. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Interim Order in accordance with the Motion.

18. The Court retains jurisdiction with respect to all matters arising from or related to the interpretation or implementation of this Interim Order.

Wilmington, Delaware
Date: March 19, 2015



THE HONORABLE LAURIE SELBER SILVERSTEIN
UNITED STATES BANKRUPTCY JUDGE