

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

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In re:	)	
	)	Chapter 11
	)	
Quicksilver Resources Inc., <u>et al.</u> , <sup>1</sup>	)	Case No. 15-10585 (LSS)
	)	
Debtors.	)	Jointly Administered
	)	
	)	<b>Hearing Date: April 15, 2015 at 2:00 p.m. (EDT)</b>
	)	<b>Obj. Deadline: April 8, 2015 at 4:00 p.m. (EDT)</b>
	)	
	)	<b>Re: Docket Nos. 12 &amp; 96</b>

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**NOTICE OF (I) ENTRY OF “INTERIM ORDER AUTHORIZING, BUT NOT DIRECTING, THE PAYMENT OF PRE-PETITION CLAIMS OF CERTAIN LIENHOLDERS” 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 Payment of Pre-Petition Claims of Certain Lienholders* [Docket No. 12] (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 the *Interim Order Authorizing, but Not Directing, the Payment of Pre-Petition Claims of Certain*

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<sup>1</sup> 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.

*Lienholders* [Docket No. 96] (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> , <sup>1</sup>	)	Case No. 15-10585 ( )
	)	
Debtors.	)	Joint Administration Requested
	)	

**DEBTORS’ MOTION FOR INTERIM AND FINAL ORDERS  
AUTHORIZING, BUT NOT DIRECTING, THE PAYMENT OF  
PRE-PETITION CLAIMS OF CERTAIN LIENHOLDERS**

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 Payment of Pre-Petition Claims of Certain Lienholders* (the “Motion”). In support of the Motion, the Debtors represent and set forth as follows:<sup>2</sup>

**JURISDICTION**

1. 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).<sup>3</sup>

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<sup>1</sup> 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.

<sup>2</sup> 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”).

<sup>3</sup> 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.

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

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

## **BACKGROUND**

### **A. General Background**

4. 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.

5. 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**

6. In the ordinary course of business, the Debtors depend on certain vendors to transport natural gas and other related products (collectively, the “Gas”), which belongs to both the Debtors and certain of their partners, from the site of extraction at the well through the gathering systems and processing plants and into transportation pipelines, which deliver the Gas to sales points located in Texas and various other locations where the Debtors sell the Gas. In addition, the Debtors rely on other vendors to store drilling pipe and other inventory of the Debtors. Finally, the Debtors routinely contract with and rely on the services of a number of third parties to assist them in the drilling and operation of the Debtors’ wells and reparation of

equipment and vehicles used in the process of extracting Gas. Each of these relationships is described in more detail below.

7. The Debtors engage certain vendors to transport and deliver the Gas from the wellhead to the sales points where such Gas is sold. First, the Debtors engage certain vendors to transport the Gas from the well site to either a compression station or a processing plant through gathering lines (collectively, the “Gatherers”). The Debtors primarily utilize the services of Gatherers, Crestwood Midstream Partners LP and DCP Midstream Partners, LP. The Gatherers take possession of the Gas at the Debtors’ well sites and transport such Gas through gathering lines to one or more compression stations or processing plants where the Gas is initially processed. The processed Gas and associated liquids are then shipped by transportation pipeline operators (the “Transporters” and together with the Gatherers, the “Shippers”) through several transportation pipelines to sales points where the Debtors sell the Gas. As a result of the foregoing, the Shippers regularly possess Gas belonging to the Debtors and certain of the Debtors’ partners. To minimize disruption to the Debtors’ operations, the Debtors seek authority to pay any pre-petition amounts owed to the Shippers.<sup>4</sup> The average monthly amount paid by the Debtors to the Shippers on behalf of the Debtors and their partners is approximately \$11,000,000 for the Gatherers and \$3,500,000 for the Transporters. As of the Petition Date, the Debtors estimate that they may owe the Shippers up to approximately \$10,000,000.

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<sup>4</sup> Certain of the Shippers may ultimately have their claims paid pursuant to the relief request by the Debtors’ Motion for Entry of Interim and Final Orders (A) Authorizing, but not Directing, Debtors To Pay or Honor Pre-petition Obligations to Certain Critical Vendors and (B) Authorizing Financial Institutions To Honor All Related Checks and Electronic Payment Requests (the “Critical Vendor Motion”), filed contemporaneously herewith. At this time, however, it is unclear whether the Debtors and such Shippers will be able to reach an agreement that is consistent with the terms of the Critical Vendor Motion. Accordingly, out of an abundance of caution, the Debtors seek authority to pay such Shippers herein in the event that such Shippers are not ultimately entitled to the relief requested by the Critical Vendor Motion.

8. In the ordinary course of business, the Debtors use approximately five vendors (collectively, the “Warehousemen”) to store drilling pipe when not being used. The average monthly amount paid by the Debtors to the Warehousemen is approximately \$300.<sup>5</sup> The Debtors pay the Warehousemen in arrears. Therefore, the Debtors believe that it is likely that they owe the Warehousemen certain amounts for storage fees. Additionally, if the Debtors were to default on any obligation to the Warehousemen, the Warehousemen may assert a lien, attempt to take possession of the Debtors’ property, and bar the Debtors’ access to the drilling pipe (which has a value far in excess of \$300). Therefore, in an abundance of caution, the Debtors seek authority to pay the Warehousemen for any pre-petition obligations and to continue to pay the Warehousemen in the ordinary course of business.

9. Under most state laws, a Shipper or a Warehouseman may have a lien<sup>6</sup> on the goods in its possession, which lien secures the charges or expenses incurred in connection with the transportation or storage of such goods.<sup>7</sup> Additionally, pursuant to Bankruptcy Code section 363(e), the Shippers and Warehousemen may be entitled to adequate protection in the form of a possessory lien. As a result, certain Shippers and Warehousemen may refuse to deliver or release Gas (including Gas owned by certain of the Debtors’ partners), equipment, or supplies in their possession or control, as applicable, before the pre-petition amounts owed to them by the

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<sup>5</sup> Certain of the Warehousemen sell or refurbish drilling pipe for the Debtors and hold such inventory, but do not charge a separate storage fee.

<sup>6</sup> By this Motion, the Debtors do not concede that any liens (contractual, common law, statutory, or otherwise) described in this Motion are valid, and the Debtors expressly reserve the right to contest the extent, validity, and perfection of any and all such liens, and to seek avoidance thereof.

<sup>7</sup> For example, Uniform Commercial Code section 7-307 provides, in pertinent part, that a “carrier has a lien on the goods covered by a bill of lading for charges subsequent to the date of its receipt of the goods for storage or transportation (including demurrage and terminal charges) and for expenses necessary for preservation of the goods incident to their transportation or reasonably incurred in their sale pursuant to law.” *See* U.C.C. § 7-307(1) (2003).



Debtors (collectively, the “Shipping and Warehousing Claims”) have been satisfied and their liens redeemed.

10. In addition to the Shipping and Warehousing Claims, in the ordinary course of their business, the Debtors routinely contract with and rely on the services with a number of third parties, a number of which may assert mechanics’ liens and materialmen’s liens or other liens that attach to the Debtors’ interests in their oil and gas leases (collectively, the “Miscellaneous Lien Claims”). As such, these third parties (the “Lien Claimants”) have the potential to assert Miscellaneous Lien Claims against the Debtors and their property if the Debtors fail to pay for the goods or services rendered. The average monthly amounts paid by the Debtors to the Lien Claimants on behalf of the Debtors and their partners is approximately \$13.6 million. The Debtors believe that the vast majority of the Miscellaneous Lien Claims are covered by the relief sought in the *Debtors’ Motion for Entry of Interim and Final Orders Authorizing the Debtors To Pay or Honor Pre-Petition and Post-Petition Royalty Obligations, Working Interest Obligations and Other Obligations Related to Oil and Gas Leases* (the “Royalty Motion”), filed contemporaneously herewith. Accordingly, out of an abundance of caution, the Debtors seek relief herein for the Miscellaneous Lien Claims only to the extent such claims are not covered by the relief sought in the Royalty Motion.

11. Furthermore, the Debtors are also the operators for a number of wells in which they own an interest with other third parties. If the Debtors are unable to pay the Shipping and Warehousing Claims or the Miscellaneous Lien Claims and any Shipper, Warehousemen or Lien Claimant asserts a lien against a well that the Debtors operate, the Debtors potentially could be removed as operator of such well.<sup>8</sup>

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<sup>8</sup> The Debtors do not concede that the assertion of any such liens would constitute a valid basis for removing the Debtors as operator of any well, and the Debtors expressly reserve the right to contest any such

12. Pursuant to Bankruptcy Code section 362(b)(3), the act of perfecting statutory liens, to the extent consistent with Bankruptcy Code section 546(b), is expressly excluded from the automatic stay. Further, notwithstanding the automatic stay imposed by Bankruptcy Code section 362, Lien Claimants may be entitled to assert and perfect statutory liens against the Debtors' property during these chapter 11 cases and with respect to any prepetition claims against the Debtors.

13. Generally, state law governing the Debtors' oil and gas properties protect the rights of Lien Claimants by granting them statutory liens to secure payment for their services. For example, chapter 56 of the Texas Property Code grants a "mineral contractor" or "mineral subcontractor" a lien to secure payment for labor or services related to "mineral activities." Tex. Prop. Code Ann. § 56.002 (2014). The terms "mineral contractor" and "mineral subcontractor" are broadly defined to include, *inter alia*, persons performing labor or furnishing or hauling material, machinery, or supplies used in mineral activities. *Id.* § 56.001(2) & (4). Such liens can attach to the Debtors' actual working interest in the oil and gas lease. *See, e.g.*, Tex. Prop. Code Ann. § 56.002.

14. Although the Debtors generally make timely payments to the Lien Claimants, a number of the payments may not have been made prior to the Petition Date for certain prepetition goods and services, which may result in the Lien Claimants having a right to assert and perfect the Miscellaneous Lien Claims. Accordingly, at any given time, the Debtors and their assets may be subject to a wide variety of potential Miscellaneous Lien Claims. As of the Petition Date, the Debtors are unable to estimate the amounts that could become due to the Lien

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contention in the event that any party seeks to remove the Debtors as operator. Additional information regarding the obligations incurred by the Debtors in operating their wells can be found in the *Debtors' Motion for Entry of Interim and Final Orders Authorizing the Debtors to Pay or Honor Pre-Petition and Post-Petition Royalty Obligations, Working Interest Obligations and Other Obligations Related to Oil and Gas Leases* filed contemporaneously herewith.

Claimants. To ensure that such Miscellaneous Lien Claims are satisfied in the ordinary course of business so as to not interrupt the Debtors' business or interfere with the Debtors' relationships with its partners during the post-petition period, the Debtors seek the relief requested herein.

15. Accordingly, the Debtors request authority, but not the direction, to pay certain Shipping and Warehousing Claims and Miscellaneous Lien Claims, on a case-by-case basis in the Debtors' sole discretion, that either have resulted or reasonably could result in a lien being asserted against property belonging to the Debtors or their partners. The Debtors' business is dependent upon the timely delivery of Gas, services, and equipment to and from the areas in which they operate. Any disruption in this system would have deleterious effects on the Debtors' business. The Debtors believe that the value of the Gas, equipment, and supplies in the possession or control of the Shippers, Warehousemen, or Lien Claimants, and the potential injury to the Debtors if they are not timely released, is likely to substantially exceed the amount of Shipping and Warehousing Claims and Miscellaneous Lien Claims asserted by such parties. Indeed, even if the Shippers, Warehousemen, or Lien Claimants did not have valid liens under applicable state law, their possession (and retention) of the Debtors' equipment, supplies, or Gas would severely disrupt, and potentially cripple, the Debtors' operations. For these reasons, the Debtors believe that it is necessary and essential to their restructuring efforts and the enhancement and preservation of the value of their estates that they be permitted to make payments on account of certain Shipping and Warehousing Claims and Miscellaneous Lien Claims.

16. The Debtors will, in their discretion, attempt to condition any payment on account of a Shipping or Warehousing Claim or Miscellaneous Lien Claim on the written acknowledgement from the applicable Shipper, Warehouseman, or Lien Claimant that it will

continue to provide its goods and services to the Debtors on trade terms that, at a minimum, such Shipper, Warehouseman, or Lien Claimant provided to the Debtors during the six months prior to the Petition Date, or such other trade practices and programs that are at least as favorable to the Debtors as those in effect prior to the Petition Date. Furthermore, the Debtors seek the authority to negotiate more favorable trade terms with any Shipper, Warehouseman, or Lien Claimant as a condition to payment of any such pre-petition claim.

17. The Debtors will pay only the Shipping and Warehousing Claims and Miscellaneous Claims that the Debtors believe, in their business judgment, to be necessary and appropriate. In determining whether such payments are necessary and appropriate, the Debtors will consider (a) whether the benefits to the Debtors' estates and creditors that would result from such payments would exceed (i) the costs that the Debtors would incur by bringing actions to compel the turnover of equipment, supplies, and other goods, and (ii) the delays associated with such actions, and (b) whether the additional expenses the Debtors would incur (in the form of premium shipping and storage costs) to replace the Shippers, Warehousemen, and Lien Claimants would exceed the amount of unpaid pre-petition claims.

18. The Debtors believe that the total amount to be paid to the Shippers, Warehousemen, and Lien Claimants on account of their pre-petition claims is necessary and appropriate in light of the importance and necessity of the Shippers, Warehousemen, and Lien Claimants to the Debtors' and their business operations, and the direct and indirect losses that the Debtors would suffer as a consequence of a Warehouseman's or Lien Claimant's refusal to release the Debtors' equipment and supplies or a Shipper's refusal to transport Gas for the Debtors. Moreover, the Debtors do not believe that there are viable and timely alternatives to the

Shippers, Warehousemen, and Lien Claimants that the Debtors have used prior to the Petition Date.

19. The Debtors' ability to continue operations without disruption depends on a successful and efficient system for the delivery, receipt, and shipment of Gas, equipment, and supplies. It is essential for the Debtors' business operations and efforts to maximize the value of their assets that the Debtors maintain a reliable and efficient shipping and storage network. Because the Debtors rely primarily on third parties to gather, process, and transport Gas, it is essential that these bankruptcy cases not be a reason or excuse for any such party to cease timely performing services or to retain Gas in its possession on account of unpaid pre-petition claims. If the Debtors are unable to deliver Gas on a timely and uninterrupted basis, the Debtors will likely incur, at a minimum, significant expenses as a result of disruption in their sales process, thereby causing substantial and potentially irreparable harm to their businesses and efforts to maximize the value of their assets for the benefit of stakeholders.

**RELIEF REQUESTED**

20. The Debtors submit this Motion pursuant to Bankruptcy Code sections 105(a) and 363 requesting entry of interim and final orders, substantially in the form attached hereto as **Exhibit A** and **Exhibit B** (the "Proposed Interim Order" and "Proposed Final Order", respectively), authorizing, but not directing, the Debtors to pay certain pre-petition claims held by Shippers, Warehousemen, and Lien Claimants in amounts the Debtors determine necessary or appropriate to (a) obtain releases of critical or valuable goods that may be subject to liens; (b) maintain a reliable, efficient, and smooth distribution system; or (c) induce critical Shippers and Warehousemen, and Lien Claimants to continue to carry goods and make timely deliveries thereof.

21. The Debtors propose to pay such claims when, in the Debtors' discretion and in their business judgment, a creditor's exercise of its rights under applicable state law would unduly disrupt the Debtors' business operations, and hereby seek immediate authority to pay and discharge, on a case-by-case basis and in their discretion, provided that payments shall not exceed \$10,000,000 on account of pre-petition Shipping and Warehousing Claims and \$5,000,000 on account of pre-petition Miscellaneous Lien Claims.

22. The Motion further seeks authorization for the applicable banks asked to process, honor, and pay any and all checks on account of claims with respect to Shippers, Warehousemen, and Lien Claimants and to rely on the representations of the Debtors as to which checks are issued and authorized to be paid in accordance with this Motion without any duty of further inquiry and without liability for following the Debtors' instructions. In addition, the Debtors also request that the Court schedule 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.

#### **SUPPORTING AUTHORITY**

23. The Court may authorize the Debtors to pay the Shipping and Warehousing Claims and Miscellaneous Lien Claims under Bankruptcy Code section 363(b). That section provides that "[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). Under this section, a court may authorize a debtor to pay certain pre-petition claims. *See In re Ionosphere Clubs, Inc.*, 98 B.R. 174, 175 (Bankr. S.D.N.Y. 1989) (authorizing payment of pre-petition claims where the debtors articulate "some business justification, other than the mere appeasement of major creditors"); *In re James A. Phillips, Inc.*, 29 B.R. 391, 397 (S.D.N.Y. 1983) (authorizing,

pursuant to section 363, a contractor to pay pre-petition claims of some suppliers who were potential lien claimants, because the payments were necessary for the general contractors to release funds owed to the debtors).

24. As discussed above, the Debtors' request to pay the pre-petition claims of the Shippers, Warehousemen, and Lien Claimants meets this standard because the failure to satisfy the Shipping and Warehousing Claims and Miscellaneous Lien Claims could have a material adverse effect on the Debtors' day-to-day business operations, as well as on the Debtors' efforts to preserve and maximize the value of their assets for the benefit of all stakeholders.

25. In addition, Bankruptcy Code section 105(a) empowers the Court to "issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]." 11 U.S.C. § 105(a). A bankruptcy court's use of its equitable powers to "authorize the payment of pre-petition debt when such payment is needed to facilitate the rehabilitation of the debtor is not a novel concept." *In re Ionosphere Clubs, Inc.*, 98 B.R. at 175. Under Bankruptcy Code section 105(a), the Court "can permit pre-plan payment of a pre-petition obligation when essential to the continued operation of the debtor." *In re NVR L.P.*, 147 B.R. 126, 127 (Bankr. E.D. Va. 1992); *see also In re Just for Feet, Inc.*, 242 B.R. 821, 825 (D. Del. 1999).

26. Finally, the "necessity of payment" doctrine further supports the relief requested in this Motion. The necessity of payment doctrine "recognizes the existence of the judicial power to authorize a debtor in a reorganization case to pay pre-petition claims where such payment is essential to the continued operation of the debtor." *In re Ionosphere Clubs, Inc.*, 98 B.R. at 176; *In re Chateaugay Corp.*, 80 B.R. 279, 286-87 (S.D.N.Y. 1987). This rule is consistent with the paramount goal of chapter 11, i.e., "facilitating the continued operation and

rehabilitation of the debtor . . . .” *Ionosphere Clubs*, 98 B.R. at 176; *see also In re Just for Feet, Inc.*, 242 B.R. at 826 (“To invoke the necessity of payment doctrine, a debtor must show that payment of the pre-petition claims is ‘critical to the debtor’s reorganization.’”) (citation omitted).

27. Under the necessity of payment doctrine, a bankruptcy court may exercise its equitable power to authorize a debtor to pay the pre-petition claims of creditors whose services are essential to the debtor’s reorganization efforts. *See In re Columbia Gas Sys., Inc.*, 136 B.R. 930, 939 (Bankr. D. Del. 1992) (recognizing that “[i]f payment of a pre-petition claim ‘is essential to the continued operation of [debtor], payment may be authorized’”) (internal cites omitted).

28. The Debtors believe that (a) continuation of their positive relationships with the Shippers, Warehousemen, and Lien Claimants is imperative to their continued business operations, and (b) the payment of the Shipping and Warehousing Claims and Miscellaneous Lien Claims is essential to preserve and maximize the value of the Debtors’ estates. In addition, payment of the Miscellaneous Lien Claims will save the Debtors the considerable time and expense of having to negotiate or litigate for the return of, or right to use, property of these estates that may be subject to such lien claims. Therefore, the Court should exercise its equitable powers under Bankruptcy Code section 105(a) to grant the relief requested in this Motion.

29. Indeed, it is not uncommon for courts in this District to authorize the payment of pre-petition claims of shippers, warehousemen, and other lien claimants. *See, e.g., In re Endeavour Operating Corporation*, No. 14-12308 (KJC) (Bankr. D. Del. Nov. 6, 2014); *In re Lee Enters., Inc.*, No. 11-13918 (KG) (Bankr. D. Del. Dec. 13, 2011); *In re Neenah Enters., Inc.*, No. 10-10360 (MFW) (Bankr. D. Del. Feb. 4, 2010); *In re Building Materials Holding Corp.*, No. 09-12074 (KJC) (Bankr. D. Del. June 17, 2009); *In re Aventine Renewable Energy Holdings*,



*Inc.*, No. 09-11214 (KG) (Bankr. D. Del. Apr. 9, 2009).<sup>9</sup> The Debtors respectfully submit that similar relief is warranted in these chapter 11 cases.

30. For all the reasons discussed herein, the Debtors submit that paying the Shipping and Warehousing Claims and Miscellaneous Lien Claims is critical to the Debtors' efforts to maximize the value of their assets and is in the best interests of their estates, and therefore, should be approved.

**THE REQUIREMENTS OF BANKRUPTCY RULE 6003 ARE SATISFIED**

31. In order for a debtor to obtain relief to make payments within 21 days of the Petition Date, it must establish that making such payments satisfies the requirements mandated by Bankruptcy Rule 6003—namely, the relief requested is necessary to avoid “immediate and irreparable harm.” If a debtor’s prospect of reorganizing is threatened, or swift diminution in the value of the debtor’s estate is likely, absent the granting of the requested relief, immediate and irreparable harm likely exists. *See In re WorldSpace, Inc.*, No. 08–12412-PJW, 2008 WL 8153639, at \*2 (Bankr. D. Del. Oct. 20, 2008) (granting emergency motions for post-petition financing, adequate protection, and modification of the stay where the court found that the relief was necessary to avoid irreparable harm to the debtors and their estates because such relief was essential for the continued operations of the debtors’ businesses); *In re New World Pasta Co.*, No. 04–02817-MDF, 2004 WL 5651052, at \*5 (Bankr. M.D. Pa. July 9, 2004) (same); *In re Ames Dep’t Stores, Inc.*, 115 B.R. 34, 36 n.2 (Bankr. S.D.N.Y. 1990) (finding that “immediate and irreparable harm” exists where loss of the business threatens ability to reorganize).

32. Immediate and irreparable harm would result if the relief requested herein is not granted. As described above, it is vital to the Debtors’ reorganization efforts that they be

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<sup>9</sup> Because of the voluminous nature of the orders cited herein, such orders are not attached to this Motion. Copies of these orders are available upon request of the Debtors’ counsel.

authorized to pay the Shipping, Warehousing, and Miscellaneous Claims in order to maintain the Debtors' operations and the confidence and goodwill of their customers and partners. As described above, failure to satisfy such claims in the first 21 days of these cases could lead to a significant disruption of the Debtors' operations and interfere with the Debtors' relationships with their partners. Put simply, maintaining the timely receipt and delivery of equipment and supplies is necessary in order for the Debtors' business to survive in the preliminary stages of these cases.

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

33. Given the nature of the relief requested herein, the Debtors respectfully request a waiver of (a) the notice requirements under Bankruptcy Rule 6004(a) and (b) the 14-day stay under Bankruptcy Rule 6004(h), to the extent that either rule is applicable.

**DEBTORS' RESERVATION OF RIGHTS**

34. 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 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**

35. 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 hereto as **Exhibit A** granting the relief requested in the Motion, (b) schedule the Final Hearing on the Motion to consider entry of the Final Order substantially in the form annexed hereto as **Exhibit B**; and (c) grant such other and further relief as may be just and proper.

Wilmington, Delaware

Date: March 17, 2015

*/s/ Paul N. Heath*

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**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  
Wilmington, Delaware 19801  
Telephone: (302) 651-7700  
Facsimile: (302) 651-7701

– and –

**AKIN GUMP STRAUSS HAUER & FELD LLP**

Charles R. Gibbs (*pro hac vice* motion pending)  
Sarah Link Schultz (*pro hac vice* motion pending)  
1700 Pacific Avenue, Suite 4100  
Dallas, Texas 75201  
Telephone: (214) 969-2800  
Facsimile: (214) 969-4343

Ashleigh L. Blaylock (*pro hac vice* motion pending)  
Kevin M. Eide (*pro hac vice* motion pending)  
Robert S. Strauss Building  
1333 New Hampshire Avenue, N.W.  
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> , <sup>1</sup>	)	Case No. 15-10585 ( )
	)	
Debtors.	)	Joint Administration Requested
	)	

**INTERIM ORDER AUTHORIZING, BUT NOT DIRECTING,  
THE PAYMENT OF PRE-PETITION CLAIMS OF CERTAIN LIENHOLDERS**

Upon the Motion<sup>2</sup> 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 and Bankruptcy Rule 6003, authorizing the Debtors, in their discretion, to pay certain pre-petition claims of Shippers, Warehousemen, and Lien Claimants in the ordinary course of business, all as further described in the Motion; 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 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

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<sup>1</sup> 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.

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

best interests of the Debtors' estates, their creditors, and other parties in interest, that the relief is necessary to avoid immediate and irreparable harm, 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, in their discretion, subject to the terms of any cash collateral or financing order entered by the Court, to pay the Shipping and Warehousing Claims and Miscellaneous Lien Claims in the ordinary course of business; *provided* that payments shall not exceed \$9,500,000 on account of pre-petition Shipping and Warehousing Claims and \$3,750,000 on account of pre-petition Miscellaneous Lien Claims during the period from the Petition Date until entry of the Final Order.
3. As a condition to receiving any payment pursuant to this Order, the Shippers, Warehousemen, and Lien Claimants shall waive and release any previously asserted lien on the assets of the Debtors.
4. The Debtors, in their discretion, shall undertake appropriate efforts to cause the Shippers, Warehousemen, and Lien Claimants to acknowledge in writing that payment of their pre-petition claims is conditioned upon the applicable Shipper, Warehouseman, or Lien Claimant continuing to supply services to the Debtors on trade terms that, at a minimum, such Shipper, Warehouseman, or Lien Claimant provided to the Debtors during the six months prior to the Petition Date, or such other trade practices and programs that are at least as favorable to the Debtors as those in effect prior to the Petition Date, and the Debtors' right to negotiate more

favorable trade terms with any Shipper, Warehouseman, or Lien Claimant as a condition to payment of any such pre-petition claim is reserved.

5. 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.

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

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 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. 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.

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. 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.

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

13. 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> , <sup>1</sup>	)	Case No. 15-10585 ( )
	)	
Debtors.	)	Joint Administration Requested
	)	

**FINAL ORDER AUTHORIZING, BUT NOT DIRECTING,  
THE PAYMENT OF PRE-PETITION CLAIMS OF CERTAIN LIENHOLDERS**

Upon the Motion<sup>2</sup> 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 and Bankruptcy Rule 6003, authorizing the Debtors, in their discretion, to pay certain pre-petition claims of Shippers, Warehousemen, and Lien Claimants in the ordinary course of business, all as further described in the Motion; and the Court having entered the *Interim Order Authorizing, But Not Directing, the Payment of Pre-Petition Claims of Certain Lienholders* [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 the Court having held the Final Hearing to consider the relief requested in the Motion; and upon the First

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<sup>1</sup> 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.

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

Day Declaration, the record of the Final 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 relief provided in the Interim Order is approved on a final basis.
3. The Debtors are authorized, in their discretion, subject to the terms of any cash collateral or financing order entered by the Court, to pay the Shipping and Warehousing Claims and Miscellaneous Lien Claims in the ordinary course of business, *provided* that payments shall not exceed \$10,000,000 on account of pre-petition Shipping and Warehousing Claims and \$5,000,000 on account of pre-petition Miscellaneous Lien Claims during these chapter 11 cases without further order of the Court.
4. As a condition to receiving any payment pursuant to this Order, the Shippers, Warehousemen, and Lien Claimants shall waive and release any previously asserted lien on the assets of the Debtors.
5. The Debtors, in their discretion, shall undertake appropriate efforts to cause the Shippers, Warehousemen, and Lien Claimants to acknowledge in writing that payment of their pre-petition claims is conditioned upon the applicable Shipper, Warehouseman, or Lien Claimant continuing to supply services to the Debtors on trade terms that, at a minimum, such Shipper, Warehouseman, or Lien Claimant provided to the Debtors during the six months prior to the Petition Date, or such other trade practices and programs that are at least as favorable to the

Debtors as those in effect prior to the Petition Date, and the Debtors' right to negotiate more favorable trade terms with any Shipper, Warehouseman, or Lien Claimant as a condition to payment of any such pre-petition claim is reserved.

6. Any payment made pursuant to this Final 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.

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

8. 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 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.

9. Notwithstanding the relief granted herein and any actions taken hereunder, nothing contained in this Final 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.

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

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

Wilmington, Delaware

Date: \_\_\_\_\_, 2015

\_\_\_\_\_  
United States Bankruptcy Judge

**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 Rachel Layne Biblo entered on 3/17/2015 at 6:29 PM EDT and filed on 3/17/2015

**Case Name:** Quicksilver Resources Inc.

**Case Number:** [15-10585](#)

**Document Number:** [12](#)

**Docket Text:**

Motion Regarding Chapter 11 First Day Motions (*Debtors' Motion for Interim and Final Orders Authorizing, but not Directing, the Payment of Pre-Petition Claims of Certain Lienholders*) Filed By Quicksilver Resources Inc. (Biblo, Rachel)

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

**Document description:**Main Document

**Original filename:**\\netapp2\home\lae\WindowsProfile\Desktop\Quicksilver - Shippers and Lienholders Motion.pdf

**Electronic document Stamp:**

[STAMP bkecfStamp\_ID=983460418 [Date=3/17/2015] [FileNumber=13021092-0  
 ] [216e0b0ea3df159d191686ee93fb34b445e062c4f083d0e2ab7367661693360b091  
 6b32ebc875b5b7c0924a489ecb7588ddc530eed0df00ea1ff947e5beee077]]

**15-10585 Notice will be electronically mailed to:**

Rachel Layne Biblo on behalf of Debtor Quicksilver Resources Inc.  
 Biblo@rlf.com, rbgroup@rlf.com

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**

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

In re:	)		)	
	)		)	Chapter 11
Quicksilver Resources Inc., <u>et al.</u> , <sup>1</sup>	)		)	Case No. 15-10585 (LSS)
Debtors.	)		)	Joint Administration Requested
	)		)	Re: Docket No. 12

**INTERIM ORDER AUTHORIZING, BUT NOT DIRECTING,  
THE PAYMENT OF PRE-PETITION CLAIMS OF CERTAIN LIENHOLDERS**

Upon the Motion<sup>2</sup> 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 and Bankruptcy Rule 6003, authorizing the Debtors, in their discretion, to pay certain pre-petition claims of Shippers, Warehousemen, and Lien Claimants in the ordinary course of business, all as further described in the Motion; 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 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

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<sup>1</sup> 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.

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

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, that the relief is necessary to avoid immediate and irreparable harm, 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, in their discretion, subject to the terms of any cash collateral or financing order entered by the Court, to pay the Shipping and Warehousing Claims and Miscellaneous Lien Claims in the ordinary course of business; *provided* that payments shall not exceed \$9,500,000 on account of pre-petition Shipping and Warehousing Claims and \$3,750,000 on account of pre-petition Miscellaneous Lien Claims during the period from the Petition Date until entry of the Final Order.
3. As a condition to receiving any payment pursuant to this Order, the Shippers, Warehousemen, and Lien Claimants shall waive and release any previously asserted lien on the assets of the Debtors.
4. The Debtors, in their discretion, shall undertake appropriate efforts to cause the Shippers, Warehousemen, and Lien Claimants to acknowledge in writing that payment of their pre-petition claims is conditioned upon the applicable Shipper, Warehouseman, or Lien Claimant continuing to supply services to the Debtors on trade terms that, at a minimum, such Shipper, Warehouseman, or Lien Claimant provided to the Debtors during the six months prior to the Petition Date, or such other trade practices and programs that are at least as favorable to the Debtors as those in effect prior to the Petition Date, and the Debtors' right to negotiate more

favorable trade terms with any Shipper, Warehouseman, or Lien Claimant as a condition to payment of any such pre-petition claim is reserved.

5. 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.

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

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 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. 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.

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. 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.

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

13. 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