



ENTERED
05/18/2020

**IN THE UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re: ULTRA PETROLEUM CORP., <i>et al.</i> , ¹ Debtors.	§ § § § § § § §	Chapter 11 Case No. 20-32631 (MI) (Jointly Administered) Re: Docket No. 12
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**ORDER AUTHORIZING PAYMENT OF
MINERAL PAYMENTS, WORKING INTEREST
DISBURSEMENTS, AND NON-OPERATED WORKING INTEREST EXPENSES**

Upon the motion (the “Motion”)² of the above-captioned debtors and debtors in possession (collectively, the “Debtors”) for entry of an order (this “Order”), authorizing the payment or application of funds attributable to mineral payments and working interest disbursements, all as more fully set forth in the Motion; and this Court having jurisdiction over this matter pursuant to 28 U.S.C. §1334; and this Court having found that this is a core proceeding pursuant to 28 U.S.C. §157(b)(2); and this Court having found that it may enter a final order consistent with Article III of the United States Constitution; and this Court having found that venue of this proceeding and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and this Court having found that the relief requested in the Motion is in the best interests of the Debtors’ estates, their creditors, and other parties in interest; and this Court having found that the Debtors’ notice of the Motion and opportunity

¹ The Debtors in these chapter 11 cases and the last four digits of each Debtor’s federal tax identification number (if any) are the following: Ultra Petroleum Corp. (3838); Keystone Gas Gathering, LLC (N/A); Ultra Resources, Inc. (0643); Ultra Wyoming, LLC (6117); Ultra Wyoming LGS, LLC (0378); UP Energy Corporation (4296); UPL Pinedale, LLC (7214); and UPL Three Rivers Holdings, LLC (7158). The Debtors’ service address is 116 Inverness Drive East, Suite 400, Englewood, Colorado 80112.

² Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Motion.

for a hearing on the Motion were appropriate under the circumstances and no other notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested therein at a hearing before this Court (the "Hearing"); and this Court having determined that the legal and factual bases set forth in the Motion and in the First Day Declaration and at the Hearing establish just cause for the relief granted herein; and upon all of the proceedings had before this Court; and after due deliberation and sufficient cause appearing therefor, it is **HEREBY ORDERED THAT:**

1. The Debtors are authorized to pay the Mineral Payments to the Mineral Payees in the ordinary course of business, regardless of whether such obligations were incurred prepetition or postpetition.

2. The Debtors are authorized to pay, resolve, or apply, as applicable, the Working Interest Disbursements in the ordinary course of business, including Working Interest Disbursement and Joint Interest Billings amounts due on account of Working Interest Audits, regardless of whether such obligations were incurred prepetition or postpetition.

3. The Debtors are authorized to setoff Working Interest Disbursements against Revenue Related Expenses pursuant to agreement or applicable law in the ordinary course of business.

4. The Debtors are authorized to pay Non-Operated Working Interest Expenses in the ordinary course of business.

5. If any Mineral Payee, Working Interest Owner, or other party accepts payment of a prepetition Mineral Payment or Working Interest Disbursement under this Order, and the Debtors' interests in such Mineral Payment or Working Interest Disbursement subsequently are recharacterized or otherwise determined by the Court after notice and a hearing to constitute

property of the Debtors' estates, the Debtors are authorized to avoid such payment as a postpetition transfer under section 549 of the Bankruptcy Code, and the Mineral Payee, Working Interest Owner, or other party who had accepted such payment shall be required to immediately repay to the Debtors any payment made to it on account of its asserted claim to the extent the aggregate amount of such payments exceeds the postpetition obligations then outstanding, without the right of setoff, claims, provision for payment of reclamation or trust fund claims, or otherwise. Upon recovery of such payments by the Debtors, the obligation shall be reinstated as a prepetition claim in the amount so recovered. Prior to making any payment on account of prepetition amounts pursuant to this Order, the Debtors shall provide such Working Interest Owner, Mineral Payee, or other party with a letter enclosing this Order (unless previously provided to such Working Interest Owner, Mineral Payee, or other party).

6. The Debtors shall maintain records related to amounts delivered, paid, offset or setoff subject to the terms and conditions of this Order. If the Debtors do not confirm a plan of reorganization by July 8, 2020, beginning on such date, the Debtors shall provide a copy of a matrix/schedule of amounts delivered, paid, offset or setoff subject to the terms and conditions of this Order, including (a) the category of amount delivered, paid, offset or setoff as further described and classified in the Motion, (b) the aggregate amount of the payment, offset or setoff by category, and (c) the Debtor or Debtors that made the payment, offset or setoff, to the U.S. Trustee and any statutory committee appointed in these chapter 11 cases every 30 days.

7. Notwithstanding the relief granted in this Order, any payment to be made or transaction to be incurred by the Debtors pursuant to the authority granted herein shall be subject to and in compliance with any orders (the "DIP Order") entered by the Court approving the Debtors' (1) entry into any postpetition debtor in possession financing facility, including any

budget and the terms of any definitive documentation in connection therewith (the “DIP Documents”), and/or (2) authorizing the Debtor’s use of cash collateral and/or any budget in connection therewith. To the extent there is any inconsistency between the terms of the DIP Order or any DIP Documents, on the one hand, and any action taken or proposed to be taken hereunder, on the other hand, the terms of the DIP Order or such DIP Document, as applicable, shall control.

8. Notwithstanding the relief granted in this Order and any actions taken pursuant to such relief, nothing in this Order shall be deemed (a) an admission as to the amount of, basis for, or validity of any claim against a Debtor entity under the Bankruptcy Code or other applicable nonbankruptcy law, (b) a waiver of the Debtors’ or any other party in interest’s right to dispute any claim on any grounds, (c) a promise or requirement to pay any claim, (d) an implication or admission that any particular claim is of a type specified or defined in the Motion or any order granting the relief requested in the Motion or a finding that any particular claim is an administrative expense claim or other priority claim, (e) a request or authorization to assume, adopt, or reject any agreement, contract, or lease pursuant to section 365 of the Bankruptcy Code, (f) an admission as to the validity, priority, enforceability, or perfection of any lien on, security interest in, or other encumbrance on property of the Debtors’ estates, (g) a waiver or limitation of the Debtors’ or any other party in interest’s rights under the Bankruptcy Code or any other applicable law, or (h) a concession by the Debtors that any liens (contractual, common law, statutory, or otherwise) that may be satisfied pursuant to the relief requested in this Motion are valid, and the rights of all parties in interest are expressly reserved to contest the extent, validity, or perfection or seek avoidance of all such liens.

9. The banks and financial institutions on which checks were drawn or electronic payment requests made in payment of the prepetition obligations approved herein are authorized

and directed to receive, process, honor, and pay all such checks and electronic payment requests when presented for payment, and all such banks and financial institutions are authorized to rely on the Debtors' designation of any particular check or electronic payment request as approved in this Order.

10. The Debtors are authorized to issue postpetition checks or to effect postpetition fund transfer requests in replacement of any checks or fund transfer requests that are dishonored as a consequence of these chapter 11 cases with respect to prepetition amounts owed in connection with any of the Working Interest Disbursements, Mineral Payments, or Non-Operated Working Interest Expenses.

11. The contents of the Motion satisfy the requirements of Bankruptcy Rule 6003(b).

12. Notice of the Motion satisfies the requirements of Bankruptcy Rule 6004(a) and the Local Rules.

13. Notwithstanding Bankruptcy Rule 6004(h), the terms and conditions of this Order are immediately effective and enforceable upon its entry.

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

15. The Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Order.

Signed: May 18, 2020


Marvin Isgur
United States Bankruptcy Judge