

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
FORT WORTH DIVISION**

<b>In re:</b>	§	<b>Case No. 22-90000 (MXM)</b>
	§	
<b>ROCKALL ENERGY HOLDINGS, LLC, et al.,</b>	§	<b>(Chapter 11)</b>
	§	
	§	<b>(Joint Administration Requested)</b>
	§	
<b>Debtors.<sup>1</sup></b>	§	

**DECLARATION OF DAVID MIRKIN IN SUPPORT  
OF CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS**

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I, David Mirkin, pursuant to 28 U.S.C. § 1746, declare under penalty of perjury that:

1. I am the Chief Financial Officer of Rockall Energy Holdings, LLC, a Delaware limited liability company (“*Rockall*,” and together with its direct and indirect subsidiaries, the “*Debtors*” or the “*Company*”). I am over the age of twenty-one years, and if called upon to testify, I would testify competently to the facts and opinions set forth in this Declaration. I am authorized to submit this Declaration on behalf of the Debtors.

2. I joined Rockall when it was formed in 2018 and have served in various finance and marketing roles since its inception, and as Chief Financial Officer since January 2021. From 2016 until Rockall’s formation, I worked in similar finance and marketing roles for one of Rockall’s predecessors, Petro Harvester Oil & Gas LLC.<sup>2</sup>

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<sup>1</sup> The Debtors in these chapter 11 cases and the last four digits of their respective federal tax identification numbers are: Arrow Rock Energy, LLC (7549), Petro Harvester Operating Company, LLC (2136), Rockall Agent Corp. (1653), Rockall Energy Holdings, LLC (5784), Rockall Energy, LLC (6340), Rockall EOR, LLC (4136), Rockall Exploration Company, LLC (0547), Rockall Intermediate, Inc. (9759), Rockall LA, LLC (4270), Rockall Laurel, LLC (1178), Rockall Midstream, LLC (0917), Rockall MS, LLC (0740), Rockall ND, LLC (9311), Rockall Pine Prairie, LLC (5799), White Marlin Investment Company, LLC (9987), and White Marlin Midstream, LLC (1466). The location of the Debtors’ U.S. corporate headquarters and the Debtors’ service address is: 5005 LBJ Freeway, Suite 700, Dallas, TX 75244.

<sup>2</sup> As discussed in greater detail below, Petro Harvester Oil & Gas LLC contributed assets that formed Rockall in exchange for equity interests in Rockall.

3. I obtained a bachelor's degree in economics from Victoria University of Wellington in New Zealand in 2002 before starting my professional career in the finance sector as a Commercial Analyst in BP's UK North Sea business, where I also worked in marketing and shipping roles. Since starting at BP in 2004, I have gained over 17 years of experience working for exploration and production ("**E&P**") companies in various finance and marketing capacities where I have learned all different aspects of the oil and gas business, including identifying and developing new E&P business opportunities.

4. I have served in multiple leadership roles throughout these years in both the United States and the United Kingdom, including serving as the Business Development Director at 2CO Energy Limited from 2010 to 2015. I also completed the Executive Leadership Development program at Stanford University's Graduate School of Business in 2020. As a result of my experience in the industry generally, and with the Company specifically, I am familiar with the oil and gas industry and the Company's day-to-day operations, business and financial affairs, books and records, and employees.

5. On the date hereof (the "**Petition Date**"), the Company filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the Northern District of Texas (the "**Court**").

6. All facts and opinions set forth in this declaration (this "**Declaration**") are based upon: (i) my knowledge of the Debtors' day-to-day operations, business and financial affairs, books and records, and employees; (ii) information I learned from my review of relevant documents; (iii) information supplied to me or verified by other members of the Company's management and/or its third-party advisors; and/or (iv) my experience and knowledge concerning the oil and gas industry generally. Unless otherwise indicated, any financial information contained

in this Declaration is unaudited and subject to change, but is accurate to the best of my knowledge. Such financial information is presented on a consolidated basis for the Debtors, except where specifically noted.

7. This Declaration is organized as follows. Part I provides background information on the Company and its operations. Part II provides an overview of the Company's prepetition capital structure. Part III describes the challenges the Company has faced and strategies the Company has implemented in response to those challenges.

## **I. THE COMPANY'S BUSINESS**

8. Rockall is a multi-faceted oil and gas company with an E&P business currently operating in over 100,000 net acres split between the Williston Basin in North Dakota (the "*Northern Assets*") and the Salt Basin plays in Mississippi and Louisiana (the "*Southern Assets*"). The Company's E&P segment produces approximately 5,608 BOE/D across its nearly 300 active wells. The Company also has oil and gas assets in the Pickens Field (the "*Pickens Field*") in Central Mississippi that could be used as a development site for carbon capture, utilization and storage ("*CCUS*") operations.

9. The Company's oil and natural gas business primarily operates through Debtor subsidiary Petro Harvester Operating Company, LLC ("*Petro Harvester Operating*"), which explores for, develops, acquires, and produces oil and natural gas. In addition to Petro Harvester Operating, the Debtors operate a small midstream segment through Debtor White Marlin Midstream, LLC, which owns and operates a gas processing plant and pipeline related to the Debtors' Southern Assets. The map below depicts the location of the Company's Northern and Southern Assets.



A. *The Company's History*

10. The Company was founded in 2018 as a combination of two predecessor companies, Petro Harvester Oil & Gas, LLC (“*Petro Harvester*”) and White Marlin Energy Partners (“*White Marlin*”). Petro Harvester, a privately owned company formed in 2010, had previously acquired certain operating assets in North Dakota, Louisiana, and Mississippi from Denbury, ConocoPhillips, and Sage Brush, including certain assets that are ideal for the CCUS business. In 2018, Petro Harvester entered into a contribution agreement with White Marlin, an oil and gas company with producing assets in Texas and Louisiana, pursuant to which assets were transferred to newly formed Rockall in exchange for certain equity interests in Rockall.<sup>3</sup> Subsequently, in July 2020, the Company acquired additional assets in Louisiana from Krewe Energy, LLC in exchange for equity interests in Rockall.

<sup>3</sup> In connection with this contribution agreement, the Company acquired certain offshore and Texas assets. However, the Company divested these assets through a membership interest purchase with Talco Petroleum LLC in November 2019.

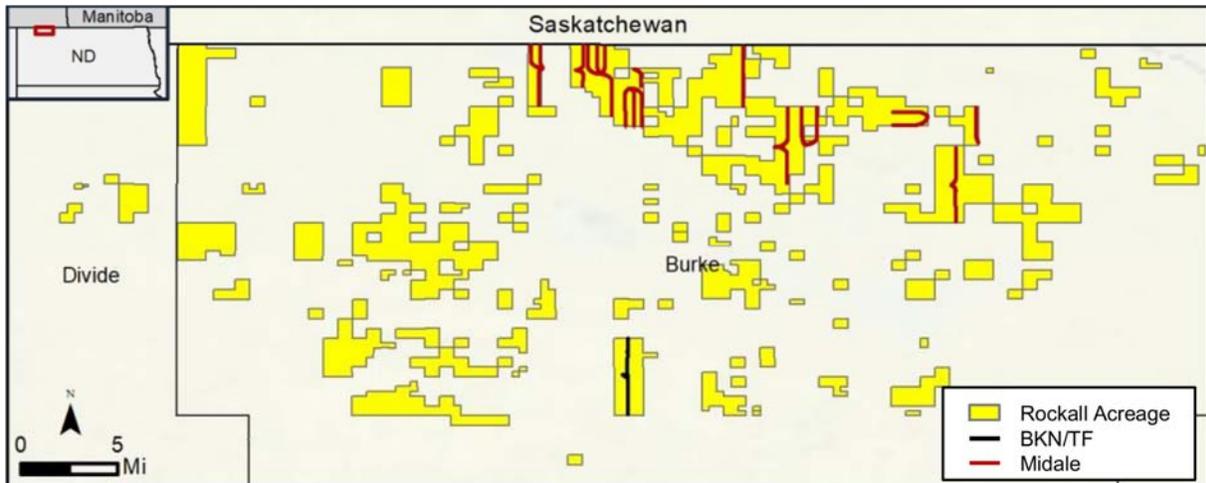
*B. The Company's Assets and Operations*

11. Since its formation in 2018, the Company has continued to grow its exploration and production business and currently produces approximately 5,608 barrels of oil equivalent per day (BOE/D) from its nearly 300 producing wells. Currently, Rockall's portfolio of oil and gas assets include over 100,000 net acres of leasehold interests roughly split between its Northern Assets and its Southern Assets, as further discussed below.

12. The Company operates nearly all of its Northern Assets and approximately 96% of its Southern Assets, allowing the Company to exercise significant control over the optimization of production and the timing and amount of capital expenditures. The Company's four largest customers account for approximately 80% of the Company's total oil and natural gas revenues.

*(i) The Northern Assets*

13. The Northern Assets are made up of 111 producing wells and approximately 58,000 net acres situated primarily in the Williston Basin, just north of the core of the Bakken, in Burke, Divide, and Bottineau Counties in North Dakota. The Company operates virtually all of its Northern Assets that, collectively, produce approximately 2,287 BOE/D. Due to the long history of hydrocarbon production from the Bakken and surrounding reservoirs, the Company was able to capitalize on the available geological information and create strong and stable production profiles. The map below shows the Company's acreage in the Northern Assets.



14. Beyond current production, the Northern Assets also provide significant upside potential with 383 additional drilling locations identified across its approximately 20,000 currently undeveloped acres. The Northern Assets represent well-delineated and proved assets, with over 25 million barrels of oil equivalent (MMBoe) of proved reserves across the Bakken, Midale, and Three Forks reservoirs. All three reservoirs overlap in certain parts of Burke County, including under parts of the Company's Northern Assets, making the Company well-positioned for future drilling opportunities.

15. The Northern Assets primarily produce liquids (approximately 63% of total production by volume). The oil component (approximately 35% of total production by volume) is trucked from the well sites. To assist with the NGL and associated gas production from the Northern Assets, most of the Company's producing wells in the Northern Assets are also connected to a fully developed, third-party midstream gas and NGL gathering and processing system. The existing infrastructure contains 232 miles of pipelines as well as expanded pipeline takeaway.

16. The Company planned to further develop the Northern Assets by capitalizing on the stable and predictable production profiles and bountiful reserves to drill additional wells. Part of the development strategy for the Northern Assets involved securing strategic firm gas pipeline

capacity to support the anticipated increased production. As a result, the Company entered into a set of midstream gathering contracts and transportation contracts, as described below.

17. In late 2018 and early 2019, the Company negotiated and entered into a set of gas gathering and processing agreements (the “*Steel Reef Contracts*”) with Steel Reef Infrastructure Corp., Steel Reef Pipelines Canada Corp., Steel Reef Pipelines US LLC, and Steel Reef Burke LLC (the “*Steel Reef Entities*”). The Steel Reef Contracts are service contracts whereby the Steel Reef Entities provide for the gathering, processing, and marketing of gas produced by the Northern Assets through the Steel Reef Entities’ gathering lines, processing facilities, and other midstream infrastructure.

18. Anticipating that additional capacity and processing capability would be needed to service new wells, the Company contracted with the Steel Reef Entities for the construction of a pipeline and, in the future, the gradual expansion, in two phased steps, of a Steel Reef Entities’ processing facility. The Steel Reef Contracts contain a minimum volume commitment (the “*MVC*”), which requires the Company to deliver a minimum volume of gas to a processing facility, and each phase of the expansion was to be tied to an increase in the MVC. In the event that the Company delivers less than the MVC, it must pay a deficiency fee that covers the shortfall.

19. In addition to the Steel Reef Contracts, in early 2019, the Company entered into a Precedent Agreement (the “*Precedent Agreement*”) and Firm Transportation Services Agreement (the “*FTSA*” and together with the Precedent Agreement, the “*WBI Agreements*”) with WBI Energy Transmission, Inc. (“*WBI*”) as part of its strategy to further develop the Northern Assets. The Precedent Agreement and FTSA worked in tandem, with the Precedent Agreement providing for the construction by WBI of certain natural gas pipelines and other transportation facilities that would provide for the transmission of the Company’s natural gas production, and the FTSA

providing the terms of such transmission. The FTSA's effective date was tied to the completion of the transportation facilities and being able to provide the contractual level of service contemplated under the FTSA.

20. The Company entered into both the Steel Reef Contracts and the WBI Agreements in early 2019. At that time, the Company intended to further develop its Northern Assets by drilling additional wells and expected increased production that would satisfy the MVC under the Steel Reef Contracts, make use of the planned gradual expansion in capacity, and utilize the firm capacity under the WBI Agreements.

21. Although the Company had significant drilling capacity and key midstream contracts in place, the Company has been unable to reap the benefits of the Steel Reef Contracts and WBI Agreements due to a tumultuous drop in commodity prices beginning in January 2020, which stunted the Company's ability to grow production. Facing continuing low commodity prices throughout most of 2020, the Company was not generating sufficient cash flows to fund the significant capital expenditure necessary to develop its Northern Assets as previously planned. As a result, when commodity prices began recovering in late 2020 and 2021, the Company did not have the additional wells available to capitalize on the increasing oil and gas prices. However, even though the Company had shelved its plans to further develop the Northern Assets, the midstream counterparties continued developing their respective pipelines.

22. In particular, the MVC under the Steel Reef Contracts continue to impose significant costs to the Company, despite the lack of a corresponding benefit. The Company currently does not produce sufficient volumes to meet the MVC and does not expect to meet the MVC in the future. The non-utilized MVC represents an estimated \$26 million (PV-10) liability based on the Company's current projected business plan, severely afflicting the Northern

Business's cash flow. As a result, the Company projects that the Northern Assets' cash flows will turn negative beginning in 2022 and remain negative until the end of the Steel Reef Contracts in 2026. The Company intends to utilize the chapter 11 process to reject the burdensome Steel Reef Contracts, which will maximize value by allowing Reorganized Rockall or a buyer of the Northern Assets to reap the benefits of the significant undeveloped property while also renegotiating or negotiating new midstream contracts to reflect rates that correspond to Reorganized Rockall's or a buyer's scale of operations.

23. As a consequence of the Company's decision not to further develop the Northern Assets, the Company determined it did not need the additional transportation capacity that the WBI Agreements provided. As a result, prior to the FTSA effective date, on December 30, 2021, the Company terminated the Precedent Agreement and FTSA. On January 4, 2022, WBI demanded that Rockall pay \$17,080,000 in liquidated damages as a result of terminating the WBI Agreements. The Company and WBI engaged in settlement discussions prior to the Petition Date, but no settlement was reached.

(ii) *The Southern Assets*

24. The Southern Assets comprise 184 producing wells and approximately 51,000 net acres in multi-formation plays situated across the Louisiana and Mississippi Salt Basins in Evangeline, St. Landry, Calcasieu, Vermillion, and East Baton Rouge parishes in Louisiana and Jones, Wayne, Clarke, Yazoo, Perry, and Madison counties in Mississippi. The Company operates approximately 96% of its Southern Assets, producing approximately 3,321 BOE/D. All of the Southern Assets' acreage benefits from the convenient access to the well-developed Gulf Coast commodity market. The map below shows the Company's acreage in the Southern Assets.



25. The Southern Assets provide stable-decline, cash-generative production with a limited capital expenditure requirement and significant upside potential. The legacy conventional fields in the Southern Assets have an approximately 7.1 MMBoe PDP reserve base on land with a long-history of successful recompletions that provide operators with a consistent cash flow stream at low capital expenditure costs.

26. The Southern Assets provide significant growth potential through secondary recovery, recompletions and infill drilling that provides the Company (or a potential buyer) with a low capital expenditure production option, where the Company (or a potential buyer) could exercise significant control over the optimization of production and the timing and amount of capital expenditures. The Company has identified more than 160 recompletion and workover opportunities in its Southern Assets, including some large fields that cover multiple production zones. For example, the Southern Asset's land in Laurel Field in Mississippi sits on top of stacked reservoirs with production potential from nine separate reservoirs. The Company has identified 75 new-drill and recomplete opportunities in Laurel Field alone.

27. The recompletion and workover opportunities identified by the Company represent approximately 4.7 MMBoe in recompletion net reserves. On average, these opportunities require

under \$200,000 each in capital expenditure by the Company (or a potential buyer) but are expected to generate over \$500,000 (PV-10) each of gross value with a payout typically in under one year.

28. The Southern Assets have a strong recompletion history, with over 280 recompletions, workovers, or return-to-production opportunities performed since 2011. The low capital expenditure requirements associated with developing the Southern Assets with a long-running history of success, combined with the Company's 96% operating percentage, gives the Company or a potential buyer significant control over developing the Southern Assets and significant flexibility to ramp development up or down quickly.

29. In addition to drilling operations, the Company owns and operates the Comite gas processing facility, a small gas processing facility in East Baton Rouge parish with a 17-mile pipeline to deliver the processed gas to a sales hub. The Comite gas processing facility provides inlet separation facilities for oil and gas production and houses an on-site SWD well for the associated produced water.

30. The Southern Assets also benefit from access to significant E&P infrastructure, with hundreds of oil and gas pipeline systems crossing Louisiana and Mississippi carrying crude oil to local refineries and major trading hubs, as well as access to well-established road and saltwater disposal infrastructure.

(iii) *CCUS Assets*

31. Prior to the Petition Date, the Company planned to complement its E&P operations with CCUS, with the aim of growing its CCUS operations disproportionate to its current E&P operations. The Pickens Field includes over 1,500 gross acres in central Mississippi that is well suited for CCUS, both from a geologic and geographic perspective. Geologically, the deep saline aquifers near the Pickens Field could be used to develop a unique dedicated geologic storage facility. Geographically, the Pickens Field's proximity to the Company's other Southern Assets

and to CO2 emitters in the well-developed Gulf coast industrial market provides significant upside potential.

32. Development of the CCUS business requires additional capital to construct the necessary facilities and pipeline and obtain permitting and rights of way, among other things. As described below, prior to the Petition Date, the Company undertook the IPO process to raise the necessary capital, but ultimately was not able to complete the process.

*C. The Hedging Operations*

33. The Company has historically hedged its oil and gas production to support the predictability of its cash flows, and the Term Loan Credit Agreement requires the Company to hedge 75% of risked PDP oil production and 70% of risked PDP gas production. However, as discussed in greater detail below, the Company is not currently party to any open hedge transactions.

*D. The Company's Management*

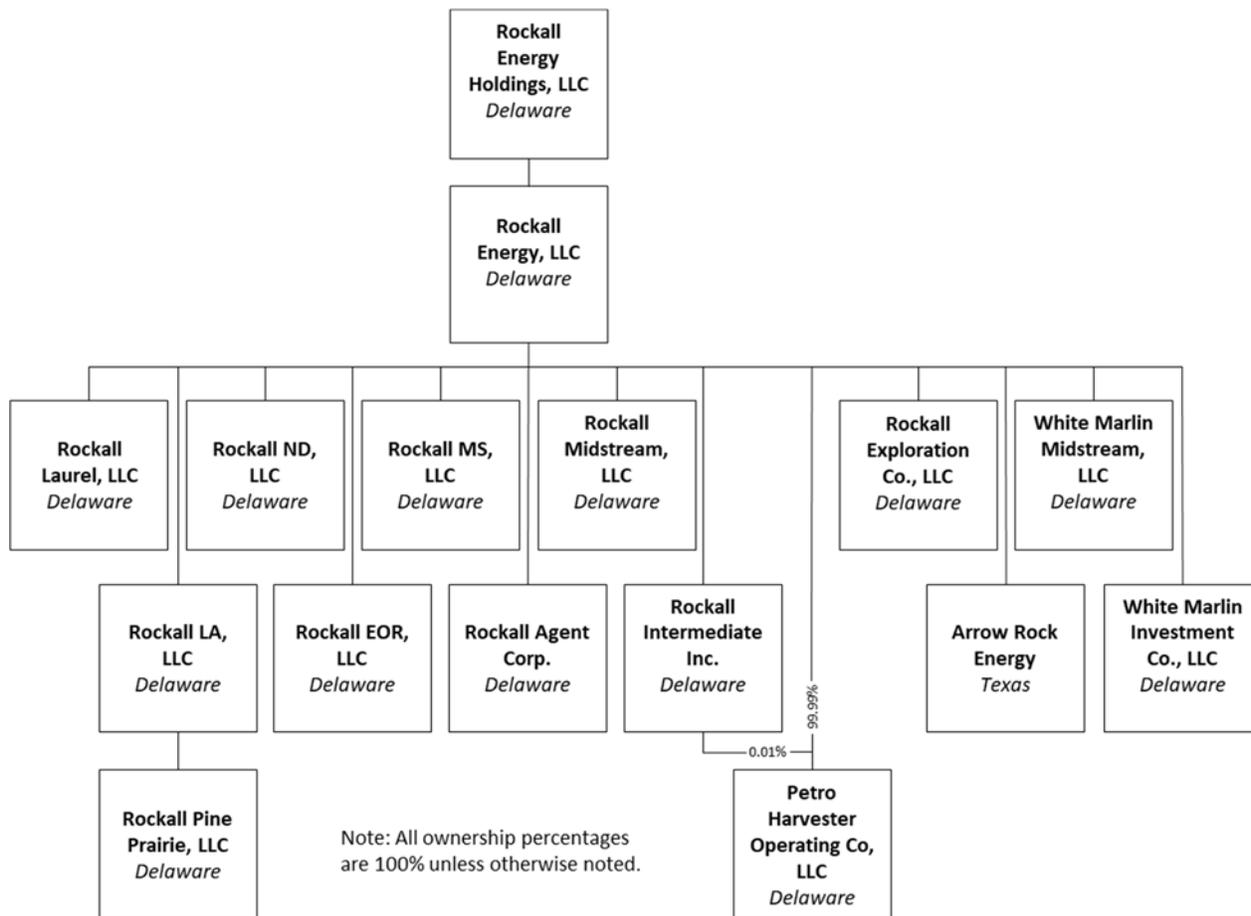
34. The Company is led by an experienced management team comprising the following members (collectively, the "**Management Team**"):

<b>Name</b>	<b>Years of Experience</b>	<b>Current Title at Rockall</b>
Lewis Gillies	30	President and Chief Executive Officer
Joe Schimelpfening	36	Chief Operating Officer
David Mirkin	17	Chief Financial Officer
Graeme Miller	30	Chief Commercial Officer

35. The entire Management Team has been with Rockall since its creation in 2018, and each member has significant oil and gas experience, including experience in carbon utilization and storage.

E. The Company’s Organizational Structure

36. The Company’s organizational structure consists of sixteen entities. Each of the entities in the corporate structure is an obligor on the Company’s funded indebtedness. A full corporate organization structure is detailed below and on Exhibit A.



37. Rockall is the ultimate parent entity of the Company. Rockall owns the single member interest in Debtor subsidiary Rockall Energy, LLC (“*Rockall Energy*”). Rockall does not own any assets other than one bank account and the equity interests in Rockall Energy. Rockall is a guarantor under the Company’s funded debt.

38. Rockall Energy, a Delaware limited liability company, directly or indirectly owns the interests in all of the remaining Debtor entities. Rockall Energy is the borrower of the Company's funded debt, which is guaranteed by each other Debtor entity.

## II. PREPETITION CAPITAL STRUCTURE

39. As of the Petition Date, the Company's secured debt obligations total approximately \$150 million, consisting primarily of obligations under the Term Loan Credit Agreement and the Shell Master Agreement, each as defined below. The Company's primary secured creditors are the Term Loan Lenders (as defined below) and Shell Trading Risk Management, LLC (together with its successors and assigns, "*Shell*") and collectively with the Term Loan Lenders, the "*Secured Parties*").

### A. *Term Loan Credit Agreement*

40. On September 20, 2018, the Company entered into a credit facility (as amended, restated, modified, supplemented, or replaced from time to time, the "*Term Loan Credit Agreement*") with Rockall Energy as borrower and each Debtor entity as a guarantor, Goldman Sachs Bank USA, as administrative agent and collateral agent (in such capacity, the "*Term Loan Agent*"), and the lenders party thereto from time to time (in such capacity, the "*Term Loan Lenders*"), which provides a maximum commitment of \$110 million and is secured by a first-priority lien on substantially all of the Company's assets.<sup>4</sup>

41. The Term Loan Credit Agreement has a scheduled maturity date of September 30, 2023. The Term Loan Credit Agreement has been amended seven times since closing. The seventh and most recent amendment, which included certain waivers of defaults, expired by its

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<sup>4</sup> Note that while the Term Loan Agent's lien covers all oil and gas properties, a limited number of properties are not mortgaged, including the Pickens Field.

own terms on December 17, 2021. As of the Petition Date, claims arising under the Term Loan Credit Agreement are approximately \$104 million.

*B. Shell Master Agreement and the Intercreditor Agreement*

42. Under the Term Loan Credit Agreement, the Company is required to maintain hedges covering a specified percentage of oil and gas production, which hedges are required to be on terms reasonably satisfactory to the Term Loan Agent. In September and October 2018, as part of its hedging strategy and in order to meet the requirements of the Term Loan Credit Agreement, Rockall Energy entered into International Swap Dealers Association, Inc. Master Agreements (together with all related schedules, annexes, exhibits, amendments, and confirmations, each, a “*Master Agreement*”) with various parties, including Shell (such Master Agreement, the “*Shell Master Agreement*”).<sup>5</sup> Notably, the Master Agreements are secured on a *pari passu* basis by the same collateral securing the Term Loan Credit Agreement.

43. Additionally, on October 29, 2018, the Company, Shell, the Term Loan Agent, and certain other parties, entered into an Intercreditor Agreement. The Intercreditor Agreement defines the parties’ respective rights as it relates to the collateral securing the Term Loan Credit Agreement and any Master Agreement. Among other provisions, the Intercreditor Agreement provides that any claims arising under the Master Agreements are *pari passu* in priority with those under the Term Loan Credit Agreement.

44. On January 25, 2022, after evaluating alternatives and in light of ongoing restructuring negotiations detailed below, Rockall Energy did not make a settlement payment due to Shell under the Shell Master Agreement, triggering an event of default under the Shell Master

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<sup>5</sup> The Company also entered into substantively identical Master Agreements with BP Energy Company (together with its successors and assigns, “*BP*”), and J. Aron & Company LLC (together with its successors and assigns, “*J. Aron*”). However, there are no remaining open transactions under the BP or J. Aron Master Agreements—all transactions expired by their terms.

Agreement after a three-day grace period. Following the missed payment and grace period, on February 2, 2022, Rockall Energy received a Notice of Default and Early Termination from Shell, terminating the outstanding transactions under the Shell Master Agreement and accelerating all amounts owing thereunder. The Intercreditor Agreement provides for a 120-day standstill in the event of a termination under any Master Agreement, limiting enforcement actions following an Early Termination.

45. As of the Petition Date, the claims arising under the Shell Master Agreement total approximately \$46 million in hedge claims (as Secured Parties Claims).

*C. General Unsecured Creditors*

46. The Company also has certain liabilities that are not secured by any collateral. The Company estimates that general unsecured claims that could be asserted against it total approximately \$27.6 million, which includes approximately \$16 million in royalty suspense obligations, and the balance consisting mainly of trade claims related to the Company's E&P operations. This estimate does not include any potential claim that may be asserted by WBI as a result of the termination of the WBI Agreements, or any potential rejection damages claims that could be asserted in these Chapter 11 Cases.

*D. Rockall Energy Holdings, LLC's Equity*

47. Rockall's membership interests are designated as units and are divided into Series A Units and Series B Units. Series A Units are capital interests and are held by certain private equity investors. Series B Units, all of which are currently designated as Series B-1 Units, are profits interests and are currently held by certain officers and employees of the Company.

### III. EVENTS LEADING TO THESE CHAPTER 11 CASES

#### A. *Challenges Facing the Company*

48. While the oil and natural gas industry is notoriously cyclical and commodity prices highly volatile, the sharp drop in prices beginning in late 2019 and early 2020 and the unprecedented effects of the novel coronavirus (“*COVID-19*”) on the global economy caused a severe financial crisis in the oil and gas industry. Moreover, these unprecedented events came at a difficult juncture for the Company, as it was caught between having entered into contracts to service anticipated additional wells and expanded production, but before having sufficient time to develop such wells. Despite the recovering pricing environment in 2021, the Company’s hedging positions that were entered into and required under the Term Loan Credit Agreement also prevented it from fully capturing this upside.

49. Since the Company’s revenue, profitability, and future growth are highly dependent on (i) the prices it receives for its oil and natural gas production and (ii) the costs associated with marketing the oil and natural gas, low realized pricing from commodity sales net of hedges has stunted the Company’s ability to grow while remaining profitable. The Company’s financial and liquidity constraints were further exacerbated by the Steel Reef Contracts and the associated MVC.

50. As discussed in greater detail above, in early 2019 the Company had entered into certain midstream contracts, including the Steel Reef Contract with the MVC and, by the end of that year, the commodity prices began tumbling precipitously. The depressed commodity prices constrained the Company’s liquidity, which led to the Company shelving its plans to further develop the Northern Assets. The commodity prices remained depressed on account of, among other things, the impact and uncertainties related to COVID-19.

51. The lack of liquidity during this period imposed a significant opportunity cost on the Company: without sufficient liquidity to further develop its Northern Assets, the Company was

unable to utilize the maturing midstream agreements and satisfy the volume requirements under the MVC. This series of events turned the midstream contracts on their heads. Although they may have been valuable to the Company if the Company had been able to pursue its planned Northern Asset capital expenditures, the midstream contracts became significant liabilities once the depressed commodity prices and impacts of COVID-19 derailed its growth strategy. Since the Company neither produces sufficient volumes to satisfy the MVC now, nor expects to in the future, the Steel Reef Contracts constitute a revenue-depriving burden. Indeed, the Steel Reef Contracts, on account of the MVC, severely afflict the Company's cash flow and are projected to make the Northern Assets cash flow negative beginning in 2022.

52. Given the Company's debt service and other financial obligations, the Company proactively took numerous steps and explored an array of alternatives in an effort to deleverage its balance sheet and bolster liquidity, including pursuing an initial public offering to capitalize on the carbon storage opportunity and running an out-of-court sales process (each discussed in greater detail below). Ultimately, the Company and its Boards of Directors determined that entering into a restructuring support agreement and filing these Chapter 11 Cases to pursue an in-court sale process was necessary to address the Company's liabilities and maximize value for all stakeholders.

*B. The Company's Efforts in Pursuit of a Comprehensive Solution*

53. The Term Loan Lenders have worked in good faith with the Company to provide flexibility to help the Debtors execute their business and turn-around plan. Starting in the summer of 2020, the Term Loan Lenders agreed to enter into four successive amendments and waivers

under the Term Loan Credit Agreement to address numerous outstanding defaults by the Company under the Term Loan Credit Agreement.<sup>6</sup>

1. Initial Public Offering and Prepetition Sales Process

54. In early 2021, the Company began pursuing an initial public offering (“*IPO*”) on the Alternative Investment Market on the London Stock Exchange to raise new capital to (i) fund its E&P business following the investment hiatus caused by the oil price collapse in 2020; (ii) fund the development of the carbon storage business; and (iii) repay all amounts outstanding under the Credit Agreement.

55. On April 8, 2021, the Company entered into a waiver under the Term Loan Credit Agreement, under which the Term Lenders and Term Loan Agent waived certain events of default to provide runway to consummate the IPO. As part of the waiver, the Term Loan Agent required the Company to hire a financial advisor to prepare the company for a potential sale or other strategic alternative if the IPO did not materialize.<sup>7</sup>

56. Although the Company was optimistic that it might attract investors in the IPO, the Company was unable to obtain certain commercial contracts that were conditions precedent to pursuing an IPO, and the IPO alternative was not actionable. Consequently, in consultation with the Term Loan Agent and its advisors, the Company began exploring a process to sell some or all of the Company’s assets (the “*Out-of-Court Sales Process*”) in September 2021 with the goal of satisfying the Term Loan Credit Agreement obligations.

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<sup>6</sup> As of September 28, 2021, the Company was in default under at least ten separate provisions under the Term Loan Credit Agreement.

<sup>7</sup> In May 2021, the Company hired Stephens Inc. as financial advisor, as required by the waiver. Stephens Inc. was terminated in December 2021.

57. The Company and its advisors commenced the Out-of-Court Sales Process in late September 2021. During the marketing phase, the Company and advisors targeted over 150 strategic and/or financial parties, resulting in 28 parties executing NDAs and accessing the data room. Of these 28 parties, six submitted initial indications of interest, which are non-binding proposals that a potential buyer submits to the Company. The Company used these indications of interest to gauge the universe of parties interested in the assets and to understand potential buyers' receptiveness to working with the Company's midstream contracts, including the WBI Agreements and the Steel Reef Contracts.

58. The Out-of-Court Sales Process ultimately generated less interest than the Company anticipated and did not result in acceptable bids. The Company decided not to pursue the Out-of-Court Sales Process any further. The Company then re-evaluated strategies to address its liabilities, as discussed below.

2. Hiring Advisors and Appointment of Chief Restructuring Officer

59. In connection with its exploration of liability management transactions, the Company engaged Lazard Frères & Co. LLC ("**Lazard**") as investment banker, Ankura Consulting Group, LLC ("**Ankura**") as restructuring advisor, and Vinson & Elkins LLP ("**V&E**," and together with Lazard and Ankura, collectively, the "**Advisors**") as restructuring counsel in November and December 2021 to assist and advise the Company in a review of its capital structure and potential restructuring alternatives. In conjunction with hiring the Advisors, the Company's Board of Directors also appointed Scott Pinsonnault as Chief Restructuring Officer. The Advisors assisted the Company in engaging with key stakeholders, evaluating strategic alternatives, and negotiating with the Term Loan Lenders and the Term Loan Agent, as described in greater detail in the *Declaration of Scott M. Pinsonnault in Support of Chapter 11 Petitions and First Day Pleadings* (the "**Pinsonnault Declaration**") filed contemporaneously herewith.

60. Given the Company's debt service and liquidity constraints, in the days and weeks leading up to the Petition Date, the Company and its Advisors engaged in extensive, arm's-length negotiations with the Term Loan Agent in an effort to reach a consensual agreement on a restructuring transaction best suited to address the Company's needs, minimize the duration of a chapter 11 case, and maximize value for all stakeholders. Ultimately, the parties were able to reach consensus on a restructuring support agreement, which, importantly, provided for much-needed debtor-in-possession financing to fund the Chapter 11 Cases and in-court sales process. The negotiations among the Company and its Advisors, the Term Loan Agent and its advisors, and Shell, along with the Company's prepetition restructuring efforts, are further described in the Pinonnault Declaration.

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

Executed on March 9, 2022

*/s/ David Mirkin*

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David Mirkin  
Chief Financial Officer  
Rockall Energy Holdings, LLC

**EXHIBIT A**

**Organizational Structure Chart**

### Rockall Energy Holdings, LLC

