

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

<p>In re:</p> <p>SHALE SUPPORT GLOBAL HOLDINGS, LLC, <i>et al.</i>,¹</p> <p style="text-align: center;">Debtors.</p>	<p>§</p> <p>§</p> <p>§</p> <p>§</p> <p>§</p> <p>§</p> <p>§</p> <p>§</p>	<p>Chapter 11</p> <p>Case No. 19-33884 (DRJ)</p> <p>(Joint Administration Pending)</p>
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**DECLARATION OF GARY BARTON, CHIEF RESTRUCTURING OFFICER
OF SHALE SUPPORT GLOBAL HOLDINGS, LLC, IN SUPPORT OF
CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS**

Pursuant to 28 U.S.C. § 1746, I, Gary Barton, declare as follows under penalty of perjury:

1. I am the Chief Restructuring Officer (“CRO”) of Shale Support Global Holdings, LLC (“SSGH”) and each of its direct and indirect subsidiaries (collectively, the “Debtors” or “Shale Support”) in the above-captioned Chapter 11 cases (the “Chapter 11 Cases”). I am also a Managing Director for Alvarez & Marsal (“A&M”) in its North American Corporate Restructuring practice. I am authorized to submit this declaration (the “First Day Declaration”) on behalf of the Debtors.

2. I have more than 29 years of experience in corporate restructurings, finance, and accounting and have advised companies across a diverse range of industries. I have assisted

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Shale Support Global Holdings, LLC (5328); Shale Support Holdings, LLC (7814); Stanton Rail Yard, LLC (5976); Southton Rail Yard, LLC (8704); Drying Facility Assets Holding, LLC (6424); Shale Energy Support, LLC (8523); Mine Assets Holding, LLC (4401); and Wet Mine Assets Holding, LLC (2879). The service address for Debtor Stanton Rail Yard, LLC is 32731 Egypt Lane, Magnolia, Texas 77354. For the remainder of the Debtors, it is 600 Jefferson Street, Suite 602, Lafayette, Louisiana 70501.

clients both in and outside of Chapter 11, and have acted as financial advisor to companies, lenders, and unsecured creditors' committees.

3. I am generally familiar with the Debtors' businesses, day-to-day operations, corporate structure, financial matters, results of operations, cash flows, and underlying books and records. Except as otherwise indicated, all facts set forth in this First Day Declaration concerning the Debtors' operations, financial affairs, and restructuring initiatives, and my opinions, are based upon my personal knowledge of the Debtors' businesses, operations, and related financial information gathered from my review of their books and records, relevant documents, and information supplied to me by other advisors and members of the Debtors' management team. If called to testify, I could and would testify competently to the facts set forth in this First Day Declaration.

4. On the date hereof (the "Petition Date"), the Debtors filed voluntary petitions for relief in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Court"). The Debtors will continue to operate their businesses and manage their properties as debtors in possession. I submit this First Day Declaration on behalf of the Debtors in support of the Debtors' (a) voluntary petitions for relief that were filed under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (the "Bankruptcy Code") and (b) "first-day" pleadings, which are being filed concurrently herewith (collectively, the "First Day Motions"). The Debtors seek the relief set forth in the First Day Motions to minimize the adverse effects of the commencement of the Chapter 11 Cases on their businesses and to maximize the value of the Debtors' estates.

5. To familiarize the Court with the Debtors, their businesses, the circumstances leading to these chapter 11 cases, and the relief the Debtors are seeking in the First Day Motions,

I have organized this declaration as follows: part one provides a general overview of Shale Support's business operations and corporate structure; part two describes Shale Support's prepetition capital structure; part three describes the circumstances leading to these Chapter 11 Cases; and part four sets forth the evidentiary bases for the relief requested in each of the First Day Motions.

I. Background

6. Shale Support is a privately owned, vertically integrated proppant supplier to the exploration and production sector of the oil and gas industry with 179 employees. The Debtors' proppants are comprised of monocrystalline sand (*i.e.*, "frac sand") designed to keep an induced hydraulic fracture open to enhance oil and gas product recovery in unconventional shale deposits.

7. Frac sand is a high-purity quartz sand with rounded grains. It is very durable and provides a crush-resistant material used in the oil and gas industry for hydraulic fracturing. Rock units composed of quartz grains that have gone through multiple cycles of weathering and erosion are potential sources of frac sand material.

8. Some subsurface rock contains large amounts of oil, natural gas, or natural gas liquids that cannot flow freely to a well because the rock is impermeable. Hydraulic fracturing resolves this issue by creating fractures in the rock. This is accomplished by drilling a well into the rock and sealing the portion of the well in the petroleum-bearing zone. Water and sand are then pumped into that portion of the well using a high-pressure process. Large pumps at the surface increase water pressure in the sealed portion of the well until pressure is sufficient to fracture surrounding rocks. Water rushes rapidly through the fractures, making them larger and pushing them deeper into the rock. Because billions of sand grains are pushed deep into the fractures, it can take several thousand tons of frac sand to stimulate a single well.

9. After the surface pumps are turned off, the fractures contract but do not close completely because they are propped open by billions of grains of frac sand. Frac sand is known as a “proppant” because it props the fractures open by forming a network of pore spaces that allow the hydrocarbons to flow out of the rock and into the well.

10. Producers of frac sand must account for two primary costs in their per-ton cost of sand: production and logistics. The logistics costs of frac sand are driven by economic rail or barge access or close delivery endpoint truck transport proximity. In many cases, the costs of delivery of the frac sand to the well exceed the costs of production. As such, each frac sand producer is dependent upon its logistics capabilities to economically deliver the frac sand to the well site.

A. Shale Support’s Operations and History

11. Recognizing the importance of logistics in frac sand value chain, Shale Support Holdings, LLC (“SSH”) was formed in 2014 to consolidate ownership of a sand mine (the “Mine”), a drying facility (the “Drying Facility”) and a transload facility (the “Southton Facility”) that would allow SSH integrate the production of frac sand with the logistics of delivery. Shortly after SSH was formed, it quickly began expanding its facilities to obtain economies of scale. Shale Support’s Mine and Drying Facility are operated through Shale Energy Support, LLC (“SES”). The Southton Facility is operated by an unaffiliated third-party operator.

12. The Debtors’ mining and processing operations are conducted in and around Picayune, Mississippi at the Mine owned by Debtor Wet Mine Assets Holding, LLC (“WMAH”) and the Drying Facility owned by Debtor Drying Facility Assets Holding, LLC (“DFAH”). The Mine consists of approximately 1,100 acres of reserves area, containing approximately 98 million tons of proven recoverable frac sand. After acquiring the Mine, the

Debtors expanded operations to encompass two fully-operational “wet plants.” At the Mine, sand and aggregate are mined, separated and processed at Shale Support’s wet plants. The aggregate is then sold to the local construction industry and the sand is transported by truck to the Drying Facility.

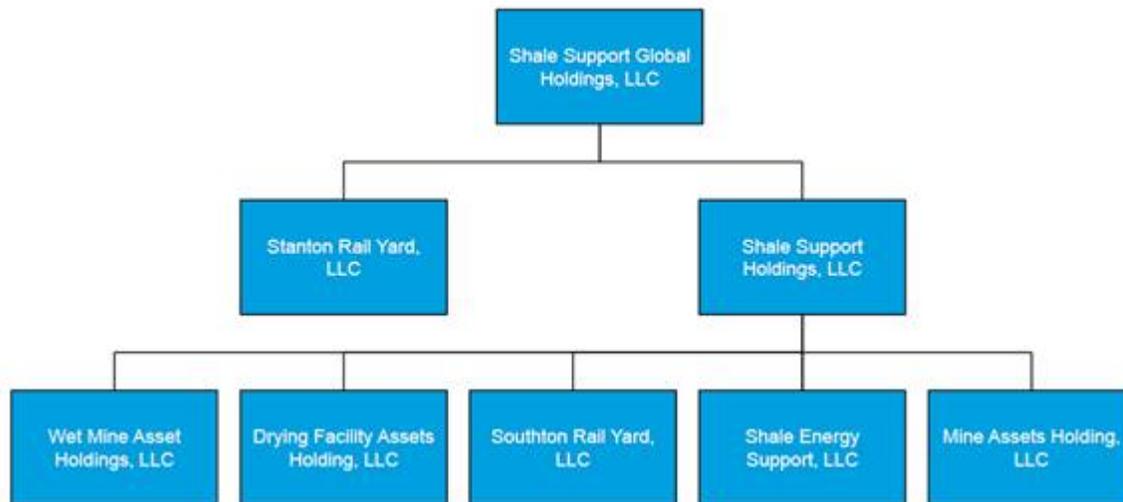
13. Since acquiring the Drying Facility, the Debtors have expanded operations, doubled production capacity and added a rail spur connecting the facility to the Norfolk Southern Railway. The Drying Facility is utilized to dry, process and segregate the raw sand into specific frac sand products. Thereafter, the frac sand is shipped by rail to transload facilities where the sand is sold to oilfield services (“OSF”) companies that provide hydraulic fracturing services to the exploration and production (“E&P”) industry.

14. The Debtors’ Southton Facility is located south of San Antonio, Texas and is a 300-acre transload facility owned by Debtor Southton Rail Yard, LLC (“SRY”). The Southton Facility permits Shale Support to transload 100 railcars of frac sand into 160 trucks for transport to specific wells for incorporation into hydraulic fracturing operations in the Eagle Ford basin. In addition to the Southton Facility, the Debtors have access to a strategically aligned transload network (the “Transload Facilities”) with key destination terminals that serve the Austin Chalk, Marcellus, Utica, Haynesville, Tuscaloosa, Mid-Con, and Permian shale plays. As part of Shale Support’s expansion of its logistic reach, Debtor Stanton Rail Yard, LLC (“Stanton”) was formed in 2017 to acquire certain real property in Stanton, Texas and develop the property into a Permian basin centric transload facility. While Stanton secured an option to acquire the property, it has not been able to obtain an anchor tenant or sufficient funding to close and develop the property.

B. Shale Support's Corporate Structure

i. The Debtors

15. SSGH is the direct corporate parent of Shale Support Holdings, LLC ("SSH") and Stanton. SSH is the direct corporate parent of Debtors SES, WMAH, DFAH and Mine Assets Holding, LLC ("MAH").² The Debtors' corporate structure is as follows:



ii. The Non-Debtor Affiliates

16. Debtor SSGH was formed in connection with the acquisition of mines located in Kinder and Baywood Louisiana in July 2018 by Kinder Mine Asset Holdings, LLC ("Kinder") and SFM Mine Asset Holdings, LLC ("Baywood"). Each of Kinder and Baywood are owned by Shale Support Louisiana Holdings, LLC (together with Kinder and Baywood, "Shale Support Louisiana"). Both SSGH and Shale Support Louisiana are owned by Shale Support Master US Holdings, LLC ("Hold Co."). Neither Shale Support Louisiana nor Hold Co. are Debtors in these cases. A depiction of the corporate structure of the Debtors and their non-debtor affiliates is attached hereto as **Exhibit A**.

² MAH has no material assets or operations.

17. Pursuant to the terms of a Marketing, Sales and Management Agreement (the “Marketing Agreement”), the Debtors assisted Shale Support Louisiana with respect to marketing, sales, and distribution, and the Debtors and Shale Support Louisiana shared certain services and costs. The Debtors and Shale Support Louisiana share (a) a small number of employees, (b) certain employee benefit plans that cover both the Debtors’ and Shale Support Louisiana’s employees, and (c) certain corporate insurance policies that cover both the Debtors and Shale Support Louisiana.³ Generally, the Debtors have paid the full costs of the shared employee benefit plans and corporate insurance policies and then invoiced Shale Support Louisiana for its portion of those costs. In addition, pursuant to the Marketing Agreement, the Debtors purchased frac sand from Shale Support Louisiana and Shale Support Louisiana invoiced the Debtors for these purchases.⁴

18. Recently, however, the Debtors have determined that it is in their best interests to transition towards a separation from Shale Support Louisiana. To that end, the Debtors have approached Shale Support Louisiana about entering into a transition services agreement that would replace the Marketing Agreement and provide for a short-term transition period in which the parties would continue to share certain services and costs while Shale Support Louisiana seeks to obtain its own benefit plans and insurance policies. As of the Petition Date, the parties have not entered into such an agreement. Thus, the Debtors intend to explore the separation of Shale Support Louisiana from the existing benefit plans and policies so that the Debtors are no longer funding costs allocated to Shale Support Louisiana. The Debtors intend to do so in a

³ More details regarding the shared employees and employee benefit plans are set forth in the Employee Motion (as defined below); more details regarding the shared insurance policies are set forth in the Insurance Motion (as defined below).

⁴ After netting the amounts that Shale Support Louisiana owes the Debtors on account of shared services and costs against the amounts that the Debtors owe Shale Support Louisiana for frac sand purchases, the Debtors estimate that, as of the Petition Date, they owe Shale Support Louisiana approximately \$600,000.

responsible manner that does not harm the Debtors or their operations. Indeed, the Debtors anticipate that they may need to continue to fund certain costs, described in the Employee Motion and the Insurance Motion, allocated to Shale Support Louisiana, in order to maintain employee benefit plans and insurance policies that are critical to the Debtors' businesses. On balance, I believe that funding those costs outweighs the harm that could occur if the Debtors do not maintain their benefit plans and insurance policies.

II. Capital Structure

19. Prior to the Petition Date, the Debtors entered into various financing arrangements. Each of the outstanding financing facilities, the amounts owed thereunder and the principal contractual obligations are described in further detail below.

A. Prepetition Term Loan Agreement

20. In August 2017, Debtors SSH and Stanton, as borrowers, Debtors SSGH, SES, WMAH, DFAH, SRY, and MAH, as guarantors, BSP Agency, LLC ("BSP"), as administrative agent for the Prepetition Term Loan Lenders (as defined below) (in such capacity, the "Prepetition Term Loan Agent"), and the lender parties thereto (the "Prepetition Term Loan Lenders"), entered into that certain Amended and Restated Credit Agreement, dated as of August 15, 2017 (as amended, restated, supplemented, or otherwise modified from time to time, the "Prepetition Term Loan Agreement"). The Prepetition Term Loan Agreement provided the Debtors with a secured term loan credit facility in an amount of \$100 million (the "Prepetition Term Loan"). The Prepetition Term Loan has a maturity date of August 15, 2021, and accrues interest at a rate per annum equal to (a) a fixed rate of 10%; or (b) at the borrowers' election pursuant to the Prepetition Term Loan Agreement, a fixed rate of 12% with respect to payment-in-kind, or "PIK," interest. Following the occurrence of an Event of Default (as defined in the Prepetition Term Loan Agreement), an additional 3% is added to the applicable rate of interest.

21. As of the Petition Date, the Debtors' had outstanding funded debt obligations in the aggregate amount of approximately \$116,001,368.20, in principal and prepetition interest, not including fees, expenses, or any other amounts due in accordance with the Prepetition Term Loan (the "Prepetition Term Loan Obligations"). The Debtors have granted first-priority security interests in and liens on all or substantially all of their assets (the "Prepetition Term Loan Collateral") to secure their Prepetition Term Loan Obligations (the "Prepetition Term Loan Liens").

B. Siena Revolving Loan Agreement

22. In February 2018, Debtors SES and SRY, as borrowers, Debtors SSH, WMAH, DFAH, and MAH, as guarantors, and Siena Lending Group LLC, as lender ("Siena," or "Prepetition Revolving Lender," and together with the Prepetition Term Loan Agent and Prepetition Term Loan Lenders, the "Prepetition Secured Parties"),⁵ entered into that certain Loan and Security Agreement, dated as of February 28, 2018 (as amended, restated, supplemented, or otherwise modified from time to time, the "Siena Revolving Loan Agreement"). The Siena Revolving Loan Agreement provides the Debtors with a secured asset-based revolving credit facility in an amount up to \$10 million (the "Siena Revolving Credit Facility"), and is subject to periodic borrowing base redeterminations by Siena. The Siena Revolving Credit Facility has a maturity date of February 28, 2021, and accrues interest at a rate per annum equal to a base rate indexed to the Prime Rate plus an applicable margin of

⁵ The Debtors understand that on or around February 25, 2019, Business Development Corporation of America, an affiliate of Benefit Street Partners L.L.C., acquired a controlling interest in Siena Capital Finance from Solaia Capital Advisors LLC. The Debtors further understand that the Prepetition Term Loan and the Siena Revolving Credit Facility are managed separately and independently from one another. BSP and Siena continue to engage separate counsel who, the Debtors understand, have not and do not represent the other such lender.

3.5%. Following the occurrence of an Event of Default (as defined in the Siena Revolving Loan Agreement), an additional 5% is added to the applicable rate of interest.

23. As of the Petition Date, the Debtors' had outstanding funded debt obligations in the aggregate amount of approximately \$11,600,357.76, in principal and prepetition interest, not including fees, expenses, or any other amounts due in accordance with the Siena Revolving Credit Facility (the "Siena Revolving Credit Obligations"). Debtors SES and SRY have granted security interests in and liens on certain of their assets,⁶ including, without limitation, their accounts and inventory (the "Siena Priority Collateral," and together with the Prepetition Term Loan Collateral, the "Prepetition Collateral"), to secure their Siena Revolving Credit Obligations (the "Siena Liens").

C. The Intercreditor Agreement

24. The relative priorities of the Prepetition Term Loan Liens and Siena Liens are set forth in that certain Intercreditor Agreement, dated as of February 28, 2018 (as amended, restated, supplemented, or otherwise modified from time to time, the "Intercreditor Agreement"). Pursuant to the Intercreditor Agreement, the Prepetition Term Loan Obligations are collateralized by the first-priority Prepetition Term Loan Liens on Prepetition Term Loan Collateral; provided that, the Siena Revolving Credit Obligations up to the Maximum

⁶ The Siena Priority Collateral is defined in the Intercreditor Agreement as "(a) all Accounts (whether or not Eligible Accounts), (b) all Instruments, Payment Intangibles and Chattel Paper evidencing, substituted, or exchanged for or Proceeds of the Accounts described in clause (a) above, (c) all Inventory, (d) all guarantees, letters of credit, Letter-of-Credit Rights, Supporting Obligations, security and other credit enhancements, in each case for the Accounts described in clause (a) above, (e) all Documents for all Inventory, (f) all depository accounts, including, without limitation, all "Collections Accounts" (as such term is defined in the Intercreditor Agreement), (g) all General Intangibles evidencing, substituted, or exchanged for Accounts described in clause (a) above, or necessary for the collection thereof, (h) all cash, Cash Proceeds, and cash equivalents arising from or paid pursuant to or in exchange for any of assets described in the foregoing clauses (a) through (g), and (h) all accessions to, substitutions for and replacements, Proceeds, insurance proceeds and products of the foregoing, together with all books and records, customer lists, credit files, computer files, programs, printouts and other computer materials and records related thereto."

Revolving Lender Debt (as defined in the Intercreditor Agreement)⁷ are collateralized by the first-priority Siena Liens on the Siena Priority Collateral.

III. Events Leading to Filing

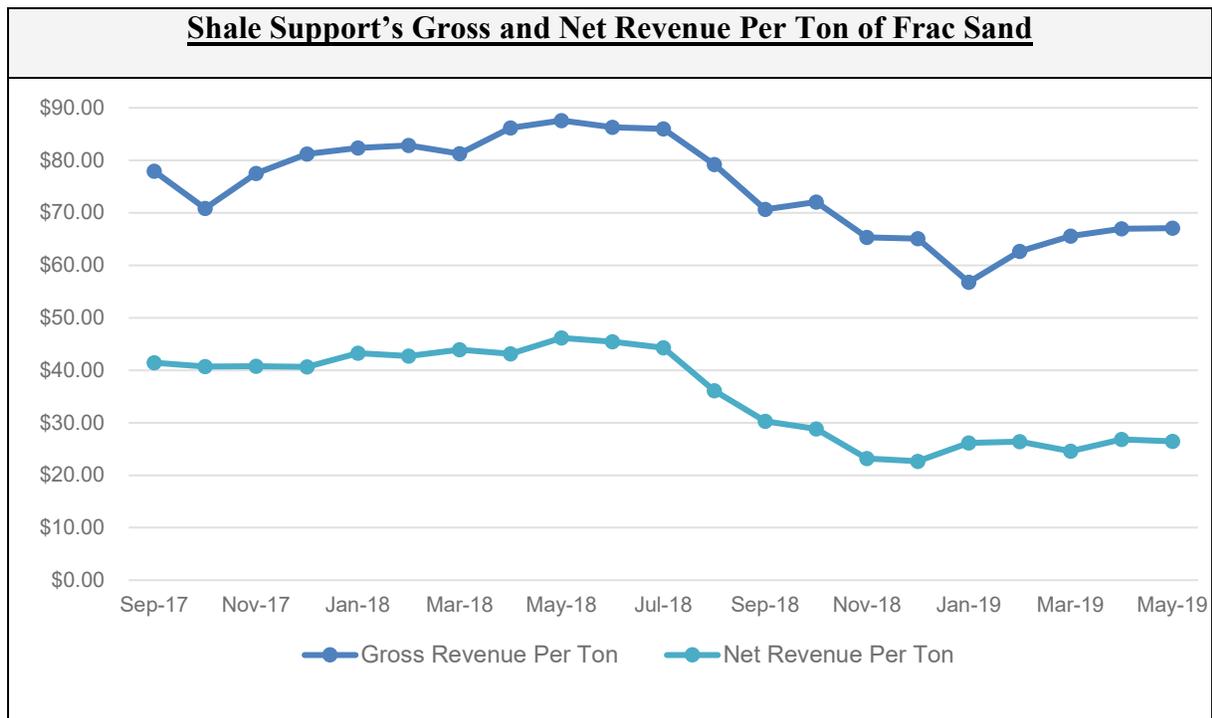
A. Decline in Frac Sand Prices

25. Demand for frac sand is significantly influenced by the level of well completions by E&P and OFS companies, which depends largely on the current and anticipated profitability of developing oil and natural gas reserves. As such, Shale Support's business is highly correlated with well completions, which is, in-turn, is dependent on both commodity prices and producers' ability to deliver oil to the market. Over the past five years, commodity prices have been highly volatile resulting in an unpredictable demand curve and a significant amount of OFS and E&P bankruptcies. Compounding these demand issues, Shale Support operates in a highly-competitive industry that has seen a dramatic increase in supply. This new supply has come from basin-specific regional producers (that have dramatically lower logistic costs) as well as larger, often better-capitalized, competitors. Regional suppliers and Shale Support's larger competitors are both in a position to exert significant, downward pressure on pricing for proppants.

26. As a result of these new sources of supply and sequentially lower demand, supply for proppants exceeded demand in the second half of 2018 driving down prices for frac sand. While prices were declining through the fourth quarter of 2018, Shale Support believed that demand would increase in early 2019 on an expectation of increased drilling and completion activity. While demand for frac sand did increase substantially in the first quarter

⁷ The Maximum Revolving Lender Debt, as defined in the Intercreditor Agreement, is "(i) \$10,000,000 *plus* (ii) accrued and unpaid interest on the [Siena Revolving Credit Obligations] and any and all fees, costs and expenses described above due and owing in respect of the [Siena Revolving Credit Obligations] and provided for by the terms of the [Siena Revolving Loan Agreement], as in effect on the date hereof."

of 2019, Shale Support lacked the liquidity to finance the costs necessary to capture its forecasted share of the increased demand. Further, the increased demand did not result in the higher prices Shale Support had projected. As a result, Shale Support's net revenue per ton fell over 40% in 2018:



27. In contrast to the volatile nature of proppant pricing, Shale Support's costs are largely fixed. A significant fixed cost is the cost of leasing railcars utilized to transport frac sand. Shale Support leases approximately 1,320 railcars from various lessors to transport sand from the Drying Facility to its transload facilities network. Due to an overall decreased industry demand for railcars, Shale Support believes that its railcar leases are at prices significantly above current market rates. In addition, Shale Support's mining and production operations are capital intensive endeavors that require consistent capital expenditures to maintain the underlying assets.

28. The foregoing circumstances have significantly strained Shale Support's enterprise-wide liquidity and caused Shale Support's capital structure to become unsustainable.

B. The Prepetition M&A and Financing Alternatives

29. Shortly before the rapid price drop in proppants, in early 2018, Shale Support retained Simmons Energy, a division of Piper Jaffrey & Co. ("PJC") as its investment banker to pursue a sale of the company. Since being retained, PJC contacted all significant strategic buyers about a potential acquisition of Shale Support and various private equity firms with an expressed-interest in the proppants sector.

30. While no formal sale process was commenced, PJC engaged in discussions with each group throughout the summer of 2018. In the midst of these efforts, the price of frac sand began its steep decline. Unsurprisingly, no party submitted an indicative expression of interest, a non-binding offer or a valuation of Shale Support. The stated justification from these parties centered around market conditions, location of the reserves, quality of sand, availability of buyer cash, and consistent underperformance of business relative to forecasts.

31. Based on the lack of market interest in an acquisition, in October 2018, Shale Support expanded PJC's mandate to obtain replacement financing. In response, PJC contacted over 40 lenders to provide new revolver and term loan products to Shale Support. This process yielded one asset based lending indication of interest and two term loan indications of interest. While the parties conducted diligence, none of the potential lenders pursued a transaction as both the commodities' and proppant's market – as well as Shale Support's liquidity – began to deteriorate.

C. Shale Support's Prepetition Defaults under the Prepetition Term Loan Agreement and Engagement with Key Stakeholders on Restructuring Alternatives

32. Concurrent with PJC's process, the price of oil and Shale Support's net revenue per-ton of frac sand fell substantially. This decline in revenue rendered Shale Support incapable of (a) complying with various financial covenants under the Prepetition Term Loan Agreement, and (b) maintaining payments on its railcar leases and obligations to vendors.

33. Due to the results of PJC's marketing efforts, Shale Support began discussions with its key stakeholders – including the Prepetition Term Loan Lenders – regarding comprehensive restructuring alternatives that would strengthen Shale Support's balance sheet and provide near-term liquidity support. While Shale Support was ultimately able to secure several months' worth of forbearance from the Prepetition Term Loan Lenders, Shale Support was unable to secure a viable restructuring solution prior to its April 2019 interest payment or obtain additional near-term liquidity to continue operations. Accordingly, on April 19, 2019, Shale Support and the Prepetition Term Loan Lenders entered into a Limited Waiver to Amended and Restated Credit Agreement (this "Waiver and Fourth Amendment"). Pursuant to the Waiver and Fourth Amendment, the Prepetition Term Loan Lenders waived the Debtors' defaults under the Prepetition Term Loan Agreement and advanced an additional \$4 million to Shale Support to meet critical obligations to sustain operations while the parties evaluated restructuring options. Subsequently, on July 2, 2019, Shale Support secured another waiver and amendment under which the Prepetition Term Loan Lenders advanced another \$2.61 million to Shale Support to pay additional critical costs that Shale Support was unable to otherwise fund prior to the Petition Date.

34. Shale Support's discussions with its stakeholders have focused on building consensus around a de-leveraging transaction. These discussions have included, among other

things: (a) the provision of a substantial amount of diligence to the Prepetition Term Loan Lenders and their advisors; (b) ongoing dialogue and communication around the Shale Support enterprise, its operations, and its prospects; and (c) regular meetings to discuss Shale Support's potential restructuring path. To date, those negotiations have not resulted in global consensus around the Debtors' ultimate restructuring. The Debtors look forward to continuing this engagement and driving toward such a consensus.

D. The DIP Financing and the Prepetition Term Loan Lenders' Support of the Chapter 11 Proceeding

35. Against this backdrop, Shale Support has worked to ensure that ample liquidity would be available should the Debtors be obliged to commence a chapter 11 proceeding. This process involved additional marketing efforts undertaken by PJC, the Debtors' proposed investment banker. The Debtors are pleased to report that that process has been a success and the Debtors will present the Court with a \$16,600,000 million DIP facility that provides chapter 11 estates with financing that will provide the Debtors with the ability to maximize the value of these chapter 11 estates as a whole.

36. As a condition of the proposed DIP facility, the Debtors must move swiftly through Chapter 11. The Prepetition Term Loan Lenders' commitment to provide the proposed DIP financing and facilitate the Debtors' restructuring are each contingent on the Debtors executing their restructuring in accordance with certain milestones (the "Milestones") defined in the DIP credit agreement. Under the Milestones, the Debtors must confirm a chapter 11 plan of reorganization and emerge from bankruptcy within 98 days after the Petition Date. The Debtors, cognizant of the turbulent operating backdrop, believe they will be able to consummate their restructuring in accordance with the Milestones and thereby maximize the value of the entire Shale Support enterprise.

IV. Relief Sought in the First Day Motions

37. Contemporaneously herewith, the Debtors have filed a number of First Day Motions in these chapter 11 cases and seek orders granting various forms of relief intended to stabilize the Debtors' business operations, facilitate the efficient administration of these chapter 11 cases, and expedite a swift and smooth restructuring of the Debtors' capital structure.

The First Day Motions include:

- *Emergency Motion of Debtors for Entry of an Order (I) Directing Joint Administration of Related Chapter 11 Cases, and (II) Granting Related Relief* (the "Joint Administration Motion")
- *Emergency Motion of Debtors for Entry of an Order (I) Extending Time to File (A) Schedules of Assets and Liabilities, (B) Schedules of Current Income and Expenditures, (C) Schedules of Executory Contracts and Unexpired Leases, and (D) Statements of Financial Affairs, and (II) Granting Related Relief* (the "Schedules and Statements Extension Motion")
- *Emergency Motion of Debtors for Entry of an Order (I) Authorizing the Debtors to File a Consolidated List of Creditors and a Consolidated List of the Forty (40) Largest Unsecured Creditors, (II) Authorizing the Debtors to Redact Certain Personal Identification Information for Individual Creditors, and (III) Approving the Form and Manner of Notifying Creditors of Commencement of These Chapter 11 Cases and Other Information* (the "Consolidated Creditor List Motion")
- *Emergency Application of Debtors for Appointment of Donlin, Recano & Company, Inc., as Claims, Noticing, and Solicitation Agent* (the "Claims and Noticing Agent Application")
- *Emergency Motion of Debtors for Entry of an Order (I) Restraining Utility Companies from Discontinuing, Altering, or Refusing Service; (II) Deeming Utility Companies Adequately Assured of Future Performance; (III) Establishing and Approving Procedures for Determining Assurance of Payment; and (IV) Granting Related Relief* (the "Utilities Motion")
- *Emergency Motion of Debtors for Entry of Order (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue Employee Benefits Programs, and (II) Granting Related Relief* (the "Employee Motion")
- *Emergency Motion of Debtors for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay (A) 503(B)(9) Claims, (B) Shipping, Warehousing, and Other Lien*

Claims, and (C) Certain Critical Vendor Claims, and (II) Granting Related Relief (the “Vendor Motion”)

- *Emergency Motion of Debtors for Entry of Order (I) Authorizing the Debtors to (A) Maintain Existing Insurance Policies and Pay All Policy Premiums and Brokers’ Fees Arising Thereunder, (B) Continue Insurance Premium Financing Programs and Pay Insurance Premium Financing Obligations Arising in Connection Therewith, and (C) Renew, Amend, Supplement, Extend, or Purchase Insurance Policies, and (II) Granting Related Relief (the “Insurance Motion”)*
- *Emergency Motion of Debtors for Entry of an Order (I) Authorizing the Payment of Certain Prepetition Taxes and Fees and (II) Granting Related Relief (the “Tax Motion”)*
- *Emergency Motion of Debtors for Entry of Interim and Final Orders Authorizing the Debtors to (I) Maintain and Use Existing Bank Accounts, Cash Management System, and Business Forms, (II) Honor Certain Prepetition Obligations Related Thereto, and (III) Continue to Perform Intercompany Transactions, and (IV) Granting Related Relief (the “Cash Management Motion”)*
- *Emergency Motion of Debtors for Entry of Interim and Final Orders Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, and 507, Bankruptcy Rules 2002, 4001, 6004, and 9014, and Local Rule 4001-2 (I) Authorizing the Debtors to Use Cash Collateral and Obtain Post-Petition Financing, (II) Granting Liens and Providing Super-Priority Administrative Expense Status, (III) Granting Adequate Protection, (IV) Scheduling a Final Hearing, and (V) Granting Related Relief (the “DIP Financing Motion”)*

38. I have reviewed each of the First Day Motions, including the exhibits thereto, and have had their contents explained to me by the Debtors’ personnel and advisors. The facts stated therein are true and correct to the best of my knowledge, information, and belief, and I believe that the relief sought in each of the First Day Motions is necessary to enable the Debtors to operate in chapter 11 with minimal disruption to their business operations and constitutes a critical element in successfully implementing the Debtors’ chapter 11 strategy. I believe that the Debtors would suffer immediate and irreparable harm absent the ability to obtain the relief requested in such First Day Motions.

39. Summaries of the factual information with respect to each First Day Motion is provided below. Capitalized terms, to the extent not otherwise defined in this Declaration, shall have the meanings ascribed to such terms in the respective First Day Motions.

A. The Joint Administration Motion

40. Through the Joint Administration Motion, the Debtors seek entry of an order directing joint administration of these Chapter 11 Cases under the case of Debtor Shale Support Global Holdings, LLC for procedural purposes.

41. Because the Debtors' financial affairs and business operations are closely related, many of the motions, hearings, and orders in the bankruptcy proceedings will affect all of the Debtors. The entry of an order directing joint administration of these Chapter 11 Cases will reduce fees and costs by avoiding duplicative filings and objections without harming the substantive rights of any party in interest. Joint administration will save time and money and avoid such duplicative and potentially confusing filings by permitting counsel for all parties in interest to: (a) use a single caption on the numerous documents that will be served and filed in these chapter 11 cases; (b) file the pleadings in one case rather than in multiple cases; and (c) refer to one case docket in order to review all pleadings filed in these Chapter 11 Cases. Accordingly, I respectfully ask the Court to grant the relief requested in the Joint Administration Motion.

B. The Schedules and Statements Extension Motion

42. Through the Schedules and Statements Extension Motion, the Debtors seek entry of an order extending the required deadline for filing the Schedules and Statements for an additional twenty-nine (29) days, without prejudice to the Debtors' right to seek further extensions, if necessary.

43. Given the size and complexity of the Debtors' operations, a significant amount of information must be accumulated, reviewed, and analyzed to properly prepare the Schedules and Statements. As stated herein, the Debtors and their professionals have been consumed with a multitude of critical administrative and operational decisions arising in conjunction with the

commencement and early administration of these chapter 11 cases, including preparing for the Debtors' entry into chapter 11, and addressing numerous critical strategic matters. Compiling and consolidating the data required for the Schedules and Statements presents a complex and time-consuming task and will be extremely challenging to complete prior to the expiration of the Initial Deadline. I believe that a short extension of the deadline to file their Schedules and Statements will allow key personnel to focus on critical operational and restructuring issues during the early days of these Chapter 11 Cases that will facilitate the Debtors' smooth transition into chapter 11 and pave the way for a successful reorganization that maximizes value for all stakeholders. Accordingly, I respectfully ask the Court to grant the relief requested in the Schedules and Statements Extension Motion.

C. The Consolidated Creditor List Motion

44. Through the Consolidated Creditor List Motion, the Debtors seek entry of an order (a) authorizing the Debtors to file a consolidated creditor matrix and list of the forty (40) largest general unsecured creditors in lieu of submitting separate mailing matrices and creditor lists for each Debtor, (b) authorizing the Debtors to redact certain personal identification information for individual creditors, and (c) approving the form and manner of notice of commencement of these Chapter 11 Cases and the scheduling of the meeting of creditors under section 341 of the Bankruptcy Code.

45. Because segregating and converting their computerized records to a Debtor specific creditor matrix format would be an unnecessarily burdensome task and result in duplicate mailings, I believe that permitting the Debtors to maintain a single consolidated list of creditors, in lieu of filing a separate creditor matrix for each Debtor will help alleviate administrative burdens, costs, and the possibility of duplicative service. Accordingly, I respectfully ask the Court to grant the relief requested in the Consolidated Creditor List Motion.

D. The Claims and Noticing Agent Application

46. Through the Claims and Noticing Agent Application, the Debtors seek entry of an order appointing Donlin, Recano & Company, Inc. (“DRC”) as claims, noticing, and solicitation agent (“Claims and Noticing Agent”) in these Chapter 11 Cases, effective *nunc pro tunc* to the Petition Date.

47. DRC has significant experience in both the legal and administrative aspects of large, complex chapter 11 cases. DRC’s professionals have experience in noticing, claims administration, solicitation, balloting, and facilitating other administrative aspects of chapter 11 cases and experience in matters of this size and complexity. Moreover, DRC’s rates are competitive and reasonable given DRC’s quality of services and expertise in other large, complex chapter 11 cases.

48. The Debtors anticipate that thousands of persons and entities may file proofs of claim in these Chapter 11 Cases. In light of the significant number of anticipated claimants and other parties in interest in these Chapter 11 Cases, as well as the complexity of the Debtors’ businesses, I believe the appointment of DRC as the Claims and Noticing Agent will provide the most effective and efficient means of—and relieve the administrative burden on the Debtors and/or the Office of the Clerk of the Bankruptcy Court of—noticing, administering certain claim related tasks, and soliciting and tabulating votes, and, therefore, is in the best interests of both the Debtors’ estates and their stakeholders. Therefore, I believe the Debtors’ selection of DRC as their proposed Claims and Noticing Agent is appropriate under the circumstances and in the best interests of the Debtors’ estates. Accordingly, I respectfully ask the Court to grant the relief requested in the Claims and Noticing Agent Application.

E. The Utilities Motion

49. Through the Utilities Motion, the Debtors seek entry of an order (a) prohibiting the Debtors' utility companies (the "Utility Companies") from altering, refusing or discontinuing service to the Debtors, except as provided in the Utilities Motion, (b) authorizing, but not directing, the Debtors to provide the Proposed Adequate Assurance to the Utilities Companies, (c) establishing and approving the Adequate Assurance Procedures, and (d) granting related relief.

50. To operate their businesses and manage their facilities, the Debtors employ various utility services, including, but not limited to, electricity, natural gas, water, network/internet, waste removal and other services.

51. The Debtors intend to pay postpetition obligations owed to the Utility Companies in a timely manner and anticipate having sufficient funds to do so. Nevertheless, to provide additional assurance of payment pursuant to section 366 of the Bankruptcy Code, the Debtors propose depositing into a segregated account at Regions Bank for the benefit of the Utility Companies (the "Adequate Assurance Account"), cash in an amount equal to one-half (1/2) of the Debtors' average cost of Utility Services for the trailing twelve (12) months, less any deposit held by a Utility Company (the "Adequate Assurance Deposit"). Based on this formula, the Debtors estimate that the total amount of the Adequate Assurance Deposit should equal \$106,210.00.

52. Additionally, the Debtors seek approval of their proposed Adequate Assurance Procedures. These procedures allow Utility Companies to request adequate assurance for unpaid Utility Services and additional adequate assurance when they believe the proposed amount is not sufficient. This ensures that all key stakeholder groups obtain notice of such request before it is honored.

53. Furthermore, the Debtors request that Utility Companies be prohibited from refusing or disrupting Utility Services, for any duration. Uninterrupted Utility Services are essential to the Debtors' business operations during the pendency of these chapter 11 cases. Should any Utility Company alter, refuse or discontinue service, even for a brief period, the Debtors' business operations could be severely disrupted, and such disruption could jeopardize the Debtors' ongoing reorganization efforts. I believe it is critical that the Debtors obtain the relief requested herein to ensure they are able to maintain and pay for utility services on an uninterrupted basis throughout these chapter 11 cases. Accordingly, I respectfully ask the Court to grant the relief requested in the Utilities Motion.

F. The Employee Motion

54. Through the Employee Motion, the Debtors seek entry of an order (a) authorizing, but not directing, the Debtors to (i) pay, up to the Statutory Cap, prepetition wages, salaries, other compensation, and reimbursable expenses, including claims for Unpaid Wages and Salaries, Unpaid Payroll Taxes, Unpaid Independent Contractor Obligations, Unpaid Business Expenses, Accrued PTO, and Unpaid Payroll Taxes, and (ii) continue the Employee Benefit Plans in the ordinary course of business, including payment of certain prepetition obligations, including the Unpaid Health Plan Costs, the Unpaid Other Insurance Costs, and the Unpaid 401(k) Contributions; and (b) granting related relief.

55. As of the Petition Date, the Debtors employ approximately 179 individuals on a full-time basis (the "Employees"), 29 of whom are paid a salary and 150 of whom are paid hourly. In addition to the Employees, the Debtors also contract with one independent sales representative (the "Sales Rep") and retain from a staffing agency a small number of individuals as temporary, independent contractors (the "Temporary Staff" and, together with the Sales Rep, the "Independent Contractors").

56. The Debtors are seeking authority for the payment of the Employee Obligations, including, among other things, Unpaid Wages and Salaries, Unpaid Payroll Taxes, Unpaid Independent Contractor Obligations, Unpaid Business Expenses, Accrued PTO, Unpaid Payroll Taxes, Unpaid Health Plan Costs, the Unpaid Other Insurance Costs, and the Unpaid 401(k) Contributions, each as further described in the Employee Motion.

57. In addition, the Debtors are seeking authority to continue to administer the Employee Wages and Benefits Programs in the ordinary course, as the Debtors may elect to modify, change, and/or discontinue any such programs in their discretion in the ordinary course of business. The Employee Wages and Benefits Programs include, among other things, Wages and Salaries, Payroll Taxes, Business Expenses, PTO, Employee Health Plans, Disability Benefits, Basic Life Insurance, Supplemental Insurance, Workers' Compensation Programs, and the 401(k) Plan, each as further described in the Employee Motion.

58. As noted above, the Debtors are attempting to discontinue their shared services arrangement with Shale Support Louisiana. In the interim, however, I believe that the Debtors may need to continue to fund certain shared costs to maintain the Employee Wages and Benefits Programs. Specifically, four of the Debtors' employees spend part of their time (10%-20%) supporting Shale Support Louisiana, and two Shale Support Louisiana employees spend part of their time (about 60%) supporting the Debtors. The net result of the shared employees is that Shale Support Louisiana owes the Debtors approximately \$2,400 per month in salary costs. In addition, the Debtors pay the full cost of certain Employee Benefit Plans that cover both the Debtors and Shale Support Louisiana, and then invoice Shale Support Louisiana for the portion of those plan costs attributable to employees of Shale Support Louisiana. The descriptions of

the Employee Benefit Plans in the Employee Motion note the costs for each of those plans that are allocated to Shale Support Louisiana.

59. I believe that the benefits of funding all costs – including costs allocated to Shale Support Louisiana – necessary to maintain the Employee Compensation and Benefits outweighs the harm that could occur if the Debtors do not maintain the Employee Compensation and Benefits. Accordingly, by the Employee Motion, the Debtors request authority to continue, in the ordinary course, this shared services arrangement to the extent the Debtors determine that doing so is necessary to maintain the Employee Compensation and Benefits.

60. The Employees and the Independent Contractors are essential to the continued operation of the Debtors' businesses, and the Employees' and Independent Contractors' morale directly affects their effectiveness and productivity. As the Debtors rely heavily on their Employees and Independent Contractors, a failure to continue to satisfy the Employee Obligations without disruption is essential. Consequently, it is critical that the Debtors continue, in the ordinary course, those personnel policies, programs, and procedures that were in effect prior to the Petition Date. If the checks issued and electronic fund transfers requested in payment of any of the compensation or other Employee Obligations or are dishonored, or if such obligations are not timely paid postpetition, the Employees and Independent Contractors would likely suffer extreme personal hardship and may be unable to pay their daily living expenses. Consequently, I believe the relief requested is necessary and appropriate. Accordingly, I respectfully ask the Court to grant the relief requested in the Employee Motion.

G. The Vendor Motion

61. Through the Vendor Motion, the Debtors seek entry of an order (i) authorizing the Debtors to pay, up to the amount of \$3 million during the Interim Period and \$5 million

(inclusive of the amounts paid in the Interim Period) on a final basis, (a) 503(b)(9) Claims, (b) Lien Claims, and (c) Critical Vendor Claims, and (ii) granting related relief.

62. As to the 503(b)(9) Claims, the Debtors received certain goods from various vendors within the 20 days before the Petition Date, the value of which I understand may be entitled to administrative priority under section 503(b)(9) of the Bankruptcy Code.

63. As to the Lien Claims, in the ordinary course of business, the Debtors transact business with vendors that may be permitted to assert statutory or possessory liens against the Debtors' property if the Debtors fail to pay the vendors. These vendors generally fall into the following categories, (i) Shippers, (ii) Warehousemen, and (iii) Maintenance and Repairmen, each of which is described in the Vendor Motion. The Debtors require timely access to the Materials, which are integral to the Debtors' operations, that are transported by Shippers and/or stored by Warehousemen. In addition, the Debtors need the ongoing services of the Maintenance and Repairmen with respect to the Debtors' specialized machinery and equipment. As a result, The Debtors seek authority in the Vendor Motion to pay and discharge the Lien Claims that have given or could give rise to a lien against the Debtors' property, regardless of whether the claimants have perfected their interests.

64. As to the Critical Vendor Claims, the Debtors have longstanding business relationships with certain suppliers of highly-specialized equipment and machinery used to dredge and mine frac sand at the Debtors' wet plant, and dry, screen, and store frac sand at the Debtors' dry facilities. The equipment and machinery, and parts thereto, are essential to the Debtors' operations. Most of these items are available only from single-source or limited source suppliers, most of which supply to the Debtors on one-off purchase orders. The Debtors' suppliers customize the products to meet the requirements of the Debtors. Indeed, many of these

items are not only industry-specific, but are also uniquely designed by the specific supplier for the Debtors' specific needs. Even if the Debtors were able to identify adequate replacements of the Critical Vendors, such replacements would likely result in time delay and substantially higher costs to the Debtors.

65. The Debtors will seek to minimize, as much as possible in their business judgment, the amount of 503(b)(9) Claims, Lien Claims, and Critical Vendor Claims (collectively, the "Prepetition Trade Claims") that they pay. To that end, certain of the Debtors' employees and professionals who are responsible for maintaining, and have intimate knowledge of, the Debtors' vendor and service provider relationships, have conducted, and will continue to conduct, an extensive analysis and review of the Debtors' immediate needs for goods and services.

66. Disruption in the provision of goods and services from the Prepetition Trade Claimants, even for a short duration, could significantly impact the Debtors' operations and cause irreparable harm to the Debtors' business. It would disrupt the Debtors' reorganization efforts and cause distraction and uncertainty because the Debtors and their advisors would have to spend valuable time and energy searching for alternative vendors and suppliers (if any suitable alternatives even exist) during this critical juncture of their chapter 11 process. Consequently, I believe the relief requested is necessary and appropriate. Accordingly, I respectfully ask the Court to grant the relief requested in the Critical Vendor Motion.

H. The Insurance Motion

67. Through the Insurance Motion, the Debtors seek entry of an order (i) authorizing the Debtors to (a) maintain the existing Policies and pay all policy premiums, Brokers' Fees, and other amounts arising thereunder, (b) continue insurance premium financing programs under the PFAs and pay insurance premium financing obligations arising in connection

therewith, and (c) renew, amend, supplement, extend, or purchase Policies, and (ii) granting related relief.

68. In the ordinary course of the Debtors' businesses, the Debtors maintain numerous insurance policies providing coverage for, *inter alia*, commercial general liability, umbrella liability, automobiles, inland marine, workers compensation, officers and directors, and trade credit (collectively, the "Policies"). These Policies are essential to the preservation of the Debtors' businesses, properties, and assets, and, in many cases, such insurance coverages are required by various regulations, laws, and contracts that govern the Debtors' business conduct, including the requirement by the Office of the United States Trustee that a debtor maintain adequate coverage given the circumstances of its chapter 11 case.

69. The Policies are essential to the Debtors' businesses, and I believe it is in the best interests of their estates to permit the Debtors to honor their obligations under their current insurance contracts (including related brokers' fees). Any other alternative would likely require considerable additional cash expenditures and would be detrimental to the Debtors' efforts to preserve and maximize the value of their estates.

70. Certain of the Policies cover both the Debtors and Shale Support Louisiana. The Debtors pay the full cost of the shared Policies and then invoice Shale Support Louisiana for the portion of those costs attributable to Shale Support Louisiana. In general, approximately 30% of the costs related to the Policies are allocated to Shale Support Louisiana. The specific premium allocations with respect to the Policies are set forth in more detail on Exhibit B to the Insurance Motion.

71. I believe that it is critical to have the authority to maintain the Debtors' existing shared service arrangement with respect to the Policies while they explore a termination of the

share services arrangement. Indeed, I believe that funding all costs – including costs allocated to Shale Support Louisiana – necessary to maintain the Policies outweighs the harm that could occur if the Debtors do not maintain the Policies. Accordingly, by the Insurance Motion, the Debtors request authority to continue, in the ordinary course, this shared services arrangement to the extent the Debtors determine that doing so is necessary to maintain the Policies.

I. The Tax Motion

72. Through the Tax Motion, the Debtors seek entry of an order (a) authorizing the Debtors to pay Taxes and Fees in the ordinary course of business, and (b) granting related relief.

73. In the ordinary course of business, the Debtors collect, withhold, and incur income, franchise, sales and use, annual report, and property taxes, as well as other business, environmental, and regulatory fees. Failing to pay the Taxes and Fees when due could materially disrupt the Debtors' business operations. Indeed, failing to pay certain of the Taxes and Fees could cause the Debtors to lose their ability to conduct business in certain jurisdictions and could subject certain of the Debtors' directors and officers to claims of personal liability, which likely would distract those key persons from their duties related to the Debtors' restructuring. In addition, the Authorities could initiate audits, suspend operations, file liens, or seek to lift the automatic stay, which would unnecessarily divert the Debtors' attention from the restructuring efforts. Unpaid Taxes and Fees may result in penalties, the accrual of interest, or both, which could negatively affect the Debtors' businesses or the restructuring efforts.

74. I believe that the relief requested in the Tax Motion is in the best interests of the Debtors' estates, their creditors, and all other parties in interest, and will enable the Debtors to continue to operate their businesses in chapter 11 without disruption. Accordingly, I respectfully ask the Court to grant the relief requested in the Tax Motion.

J. The Cash Management Motion

75. Through the Cash Management Motion, the Debtors seek entry of an order authorizing, but not directing, the Debtors to (a) continue to operate their Cash Management System, (b) pay any prepetition or postpetition amounts outstanding on account of the Bank Fees, (c) maintain existing Business Forms in the ordinary course of business, (d) continue to perform the Intercompany Transactions consistent with historical practice, and (e) granting related relief.

76. In the ordinary course of business and prior to the Petition Date, the Debtors have used a cash management system, which is designed to efficiently collect, transfer, and disburse funds generated from the Debtors' business operations and to accurately record and account for such collections, transfers, and disbursements as the same are made (the "Cash Management System"). The Cash Management System is comparable to cash management systems used by other, similarly-situated companies, and provides the Debtors with an efficient means of collecting, disbursing, and transferring funds. The Debtors' accounting and treasury department manages the Cash Management System, and provides daily oversight over its functions and controls.

77. Continued use of the Cash Management System will avoid the disruption and delay to Debtors' business activities that would necessarily result from closing the Existing Accounts and opening new accounts. By preserving business continuity, all parties in interest, including staff, vendors, and customers, will be best served. Further, to the best of Debtors' knowledge, the continuation of Debtors' Cash Management System will not affect the rights of any creditors or parties in interest in this case.

78. I believe that requiring the Debtors to implement changes to the Cash Management System at this critical stage of these chapter 11 cases would be expensive, impose

needless administrative burdens on the Debtors, disrupt the Debtors' operations, and affect the Debtors' ability to maximize value. Moreover, I believe that such a disruption would be wholly unnecessary because the Debtors have the capacity to track—and historically have tracked—payments and transfers of funds. Accordingly, I respectfully ask the Court to grant the relief requested in the Cash Management Motion.

K. The DIP Financing Motion

79. Through the DIP Financing Motion, the Debtors seek entry of an interim and final order authorizing the Debtors (a) to enter into a \$16,600,000 senior secured, superpriority, postpetition financing facility (the "the DIP Facility") pursuant to the DIP Credit Agreement; (b) to use the Cash Collateral of the DIP Secured Parties and the Prepetition Secured Parties; and (c) granting related relief.

80. The Debtors require access to the proceeds of the DIP Facility in addition to continued use of Cash Collateral to operate their businesses. The Debtors are seeking limited relief to, among other things, satisfy payroll, pay suppliers, meet overhead, pay expenses for properties operated by the Debtors, pay lease obligations, and make any other payments that are essential for the continued management, operation, and preservation of the Debtors' businesses. The ability to satisfy these expenses when due is essential to the Debtors' continued operation of their businesses during the pendency of these cases. I respectfully ask the Court to grant the relief requested in the DIP Financing Motion.

**SHALE SUPPORT GLOBAL HOLDINGS,
LLC, ET AL.**

/s/ Gary Barton
By: Gary Barton
Chief Restructuring Officer

EXHIBIT A

