

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

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In re:	:	Chapter 11
	:	
EMERGE ENERGY SERVICES LP, <i>et al.</i> , ¹	:	Case No. 19-11563 (KBO)
	:	
Debtors.	:	(Jointly Administered)
	:	
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**AMENDED STATEMENT OF FINANCIAL AFFAIRS FOR
EMERGE ENERGY SERVICES OPERATING LLC (CASE NO. 19-11565)**

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number, are: Emerge Energy Services LP (2937), Emerge Energy Services GP LLC (4683), Emerge Energy Services Operating LLC (2511), Superior Silica Sands LLC (9889), and Emerge Energy Services Finance Corporation (9875). The Debtors’ address is 5600 Clearfork Main Street, Suite 400, Fort Worth, Texas 76109.



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**GLOBAL NOTES AND STATEMENT OF LIMITATIONS, METHODOLOGY, AND
DISCLAIMERS REGARDING THE DEBTORS’ SCHEDULES OF ASSETS AND
LIABILITIES AND STATEMENTS OF FINANCIAL AFFAIRS**

Emerge Energy Services, LP and certain of its affiliates, as debtors and debtors in possession in the above-captioned chapter 11 cases (the “**Debtors**”), have filed their respective Schedules of Assets and Liabilities (the “**Schedules**”) and Statements of Financial Affairs (the “**Statements**”) in the United States Bankruptcy Court for the District of Delaware (the “**Bankruptcy Court**”). The Debtors, with the assistance of their legal and financial advisors, prepared the Schedules and Statements in accordance with section 521 of title 11 of the United States Code (the “**Bankruptcy Code**”) and rule 1007 of the Federal Rules of Bankruptcy Procedure.

Bryan M. Gaston has signed each set of the Schedules and Statements. Mr. Gaston serves as the Restructuring Officer for each of the Debtors and is an authorized signatory for each of the Debtors. In reviewing and signing the Schedules and Statements, Mr. Gaston has necessarily relied upon the efforts, statements, advice, and representations of personnel of the Debtors and the Debtors’ legal and financial advisors. Given the scale of the Debtors’ business covered by the Schedules and Statements, Mr. Gaston has not (and could not have) personally verified the accuracy of each such statement and representation, including, but not limited to, statements and representations concerning amounts owed to creditors.

In preparing the Schedules and Statements, the Debtors relied on financial data derived from their books and records that was available at the time of such preparation. Although the Debtors have made every reasonable effort to ensure the accuracy and completeness of the Schedules and Statements, subsequent information or discovery may result in material changes to the Schedules and Statements. Additionally, an opinion from an external, independent auditor has not yet been issued on the Debtors’ financial statements for the calendar year ended 2018. The Debtors have experienced turnover in accounting and finance personnel. As a result,

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inadvertent errors or omissions may exist. Accordingly, the Debtors and their directors, officers, agents, attorneys, and financial advisors cannot guarantee or warrant the accuracy or completeness of the data that is provided in the Schedules and Statements and shall not be liable for any loss or financial damage to third parties arising out of, or caused in whole or in part by, the acts, errors, or omissions, whether negligent or otherwise, in compiling, collecting, interpreting, reporting, communicating, or delivering the information contained in the Schedules and Statements.

For the avoidance of doubt, the Debtors and their agents, attorneys, and financial advisors hereby reserve their rights to amend and supplement the Schedules and Statements as may be necessary or appropriate, but expressly do not undertake any obligation to update, modify, revise, or re-categorize the information provided in the Schedules and Statements or to notify any third party should the information be updated, modified, revised, or re-categorized, except as required by applicable law.

In no event shall the Debtors or their directors, officers, agents, attorneys, and financial advisors be liable to any third party for any direct, indirect, incidental, consequential, or special damages (including, but not limited to, damages arising from the disallowance of a potential claim against the Debtors or damages to business reputation, lost business, diminution in value, business interruption or lost profits), whether foreseeable or not and however caused, even if the Debtors or their directors, officers, agents, attorneys, and financial advisors are advised of the possibility of such damages.

Global Notes and Overview of Methodology

1. **Description of Cases.** On July 15, 2019 (the “**Petition Date**”), each of the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code. The Debtors are operating their businesses and managing their property as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On July 17, 2019, the Bankruptcy Court entered an order directing procedural consolidation and joint administration of these chapter 11 cases [Docket No. 54]. Notwithstanding the joint administration of the Debtors’ cases for procedural purposes, discrete Schedules and Statements have been filed for each Debtor. The information provided in the Schedules and Statements, except as otherwise noted, is reported as of the close of business on the Petition Date.
2. **Global Notes Control.** These global notes (the “**Global Notes**”) pertain to and comprise an integral part of each of the Debtors’ Schedules and Statements and should be referenced in connection with any review thereof. In the event that the Schedules and Statements conflict with the Global Notes, the Global Notes shall control.
3. **Reservations and Limitations.** Reasonable efforts have been made to prepare and file complete and accurate Schedules and Statements. However, as noted above, inadvertent errors or omissions may exist. The Debtors reserve all rights to amend and supplement the Schedules and Statements as may be necessary or appropriate but do not undertake any obligation to do so, except as required by applicable law. Nothing contained in the Schedules and Statements constitutes a waiver of any of the Debtors’ rights or an admission of any kind with respect to these chapter 11 cases, including, but not limited to, any claims against the Debtors, any rights or claims of the Debtors against any third

party, or any issues involving substantive consolidation, equitable subordination, or defenses or causes of action arising under the provisions of chapter 5 of the Bankruptcy Code or any other relevant applicable bankruptcy or non-bankruptcy laws to recover assets or avoid transfers. Any specific reservation of rights contained elsewhere in these Global Notes does not limit in any respect the general reservation of rights contained in this paragraph.

- (a) **No Admission.** Nothing contained in the Schedules and Statements or the Global Notes is intended to be or should be construed as an admission or stipulation of the validity of any claim against the Debtors or any assertion made, or a waiver of the Debtors' rights to dispute any such claim or assert any cause of action or defense against any party.
- (b) **Recharacterization and Classifications.** Notwithstanding that the Debtors have made reasonable efforts to correctly characterize, classify, categorize, or designate certain claims, assets, executory contracts, unexpired leases, and other items reported in the Schedules and Statements, the Debtors nonetheless may have improperly characterized, classified, categorized, or designated certain items. The Debtors thus reserve all rights to recharacterize, reclassify, recategorize, or re-designate items reported in the Schedules and Statements at a later time as is necessary and appropriate.

For the avoidance of doubt, listing (i) a claim on Schedule D as "secured," (ii) a claim on Schedule E/F as "priority" or "unsecured," or (iii) a contract on Schedule G as "executory" or "unexpired" does not constitute an admission by the Debtors of the legal rights of the claimant or contract counterparty or a waiver of the Debtors' rights to recharacterize or reclassify such claim or contract.

- (c) **Claim Description.** Any failure to designate a claim on a given Debtor's Schedules and Statements as "disputed," "contingent," or "unliquidated" does not constitute an admission by such Debtor that such amount is not "disputed," "contingent," or "unliquidated." The Debtors reserve all rights to dispute, or assert offsets or defenses to, any claim reflected on their respective Schedules and Statements on any grounds, including, without limitation, liability or classification, or to otherwise subsequently designate such claims as "disputed," "contingent," or "unliquidated" or object to the extent, validity, enforceability, priority, or avoidability of any claim. Moreover, listing a claim does not constitute an admission of liability by the Debtor against which the claim is listed or by any of the Debtors. The Debtors reserve all rights to amend their Schedules and Statements as necessary and appropriate, including, but not limited to, with respect to claim description and designation.
- (d) **Estimates and Assumptions.** As with the preparation of any financial statements the Schedules and Statements required the Debtors to make reasonable estimates and assumptions with respect to the reported amounts, including but not limited to amounts of assets and liabilities, the amount of contingent assets and contingent liabilities on the date of filing the Schedules and Statements, and the reported

amounts of revenues and expenses during the applicable reporting periods. Actual results could differ materially from such estimates.

- (e) **Causes of Action.** Despite reasonable efforts, the Debtors may not have identified and/or set forth all of their causes of action (filed or potential) against third parties as assets in their Schedules and Statements, including, without limitation, avoidance actions arising under chapter 5 of the Bankruptcy Code and actions under other relevant bankruptcy and non-bankruptcy laws to recover assets. The Debtors reserve all rights with respect to any causes of action, and nothing in these Global Notes or the Schedules and Statements should be construed as a waiver of any such causes of action.
- (f) **Property Rights – Generally.** Exclusion of certain property from the Schedules and Statements shall not be construed as an admission that such property rights have been abandoned, terminated, assigned, expired by their terms or otherwise transferred pursuant to a sale, acquisition or other transaction. Conversely, inclusion of certain property in the Schedules and Statements shall not be construed as an admission that such property rights have not been abandoned, terminated, assigned, expired by their terms or otherwise transferred pursuant to a sale, acquisition or other transaction.
- (g) **Intellectual Property Rights.** Exclusion of any intellectual property should not be construed as an admission that such intellectual property rights have been abandoned, terminated, or otherwise expired by their terms, or assigned or otherwise transferred pursuant to a sale, acquisition, or other transaction. Conversely, inclusion of certain intellectual property should not be construed as an admission that such intellectual property rights have not been abandoned, terminated, or otherwise expired by their terms, or assigned or otherwise transferred pursuant to a sale, acquisition, or other transaction.
- (h) **Insiders.** In the circumstance where the Schedules and Statements require information regarding “insiders,” the Debtors have included information with respect to the individuals who the Debtors believe would be included in the definition of “insider” set forth in section 101(31) of the Bankruptcy Code during the relevant time periods. Such individuals may no longer serve in such capacities. In particular, at the request of the U.S. Trustee, the Debtors have amended the Schedules and Statements to identify employees who hold the title of Director or Vice President as “insiders.” However, the Debtors neither admit nor concede that such individuals are in fact “insiders” and identifying such individuals as “insiders” in the Schedules and Statements is without prejudice to the rights of any party, including the Debtors, to later argue that such individuals are not “insiders”..

The listing of a party as an insider for purposes of the Schedules and Statements is not intended to be, nor should it be, construed as an admission of any fact, right, claim, or defense and all such rights, claims, and defenses are hereby expressly reserved. Information regarding the individuals listed as insiders in the Schedules and Statements has been included for informational purposes only and such

information may not be used for: (1) the purposes of determining (a) control of the Debtors; (b) the extent to which any individual exercised management responsibilities or functions; (c) corporate decision-making authority over the Debtors; or (d) whether such individual could successfully argue that he or she is not an insider under applicable law, including the Bankruptcy Code and federal securities laws, or with respect to any theories of liability or (2) any other purpose.

4. **Methodology.**

- (a) **Basis of Presentation.** The Schedules and Statements do not purport to represent financial statements prepared in accordance with Generally Accepted Accounting Principles in the United States (“GAAP”) nor are they intended to be fully reconciled to the financial statements of each Debtor. The Schedules and Statements contain unaudited information that is subject to further review and potential adjustment. The Schedules and Statements reflect the Debtors’ reasonable efforts to report the assets and liabilities of each Debtor on an unconsolidated basis.
- (b) **Duplication.** Certain of the Debtors’ assets, liabilities, and prepetition payments may properly be disclosed in response to multiple parts of the Statements and Schedules. To the extent these disclosures would be duplicative, the Debtors have endeavored to only list such assets, liabilities, and prepetition payments once.
- (c) **Net Book Value.** In certain instances, current market valuations for individual items of property and other assets are neither maintained by, nor readily available to, the Debtors. Accordingly, unless otherwise indicated, assets presented in the Debtors’ Schedules and Statements represent estimates for the lower of cost or net book values as of July 15, 2019. Market values may vary materially from values presented. The Debtors believe that it would be an inefficient use of estate resources for the Debtors to obtain estimates for current market values of their property and other individual assets. Accordingly, the Debtors have indicated in the Schedules and Statements that the values of certain assets and liabilities are undetermined. Also, assets that have been fully depreciated or that were expensed for accounting purposes either do not appear in these Schedules and Statements or are listed with a zero-dollar value, as such assets have no net book value. The omission of an asset from the Schedules and Statements does not constitute a representation regarding the economic value or ownership of such asset and any such omission does not constitute a waiver of any rights of the Debtors with respect to such asset.
- (d) **Property and Equipment.** Unless otherwise indicated, owned property and equipment are valued at net book value. The Debtors may lease equipment from certain third-party lessors. To the extent possible, any such leases are listed in the Schedules and Statements. Nothing in the Schedules and Statements is, or should be construed as, an admission as to the determination of the legal status of any lease (including whether any lease is a true lease or a financing arrangement), and the Debtors reserve all rights with respect thereto.

- (e) **Recognition and Allocation of Liabilities.** The Debtors have reported liabilities known to them at the time of preparing these Schedules and Statements. Given the short amount of time that has elapsed between the petition date and the filing of these Schedules and Statements there could be liabilities for which the Debtors' were not aware due to not having received any invoices or similar documentation to evidence such obligations. Additionally, these Schedules and Statements have been prepared mid-month without the benefit of the Debtors' full month end accounting close processes and procedures. Allocation for liabilities between the prepetition and postpetition periods have been prepared based on the information and research conducted in connection with the preparation of the Schedules and Statements. As additional information becomes available and further research is conducted, the allocation of liabilities between the prepetition and postpetition periods may change.
- (f) **Undetermined Amounts.** The description of an amount as "unknown" or "undetermined" is not intended to reflect upon the materiality of such amount.
- (g) **Unliquidated Amounts.** Amounts that could not be fairly quantified by the Debtors are scheduled as "unliquidated."
- (h) **Totals.** All totals that are included in the Schedules and Statements represent totals of all known amounts. To the extent there are unknown or undetermined amounts, the actual total may be different than the listed total.
- (i) **Paid Claims.** The Debtors have authority to pay certain outstanding prepetition claims pursuant to several bankruptcy court orders, including certain orders the Bankruptcy Court entered in connection with the Debtors' chapter 11 cases authorizing the Debtors to pay certain prepetition claims (collectively, the "**First Day Orders**").

The Schedules and Statements reflect the Debtors' outstanding liabilities in their amounts owed as of the Petition Date without reducing liabilities on account of any payments authorized under the First Day Orders, other than the First Day Order authorizing the payment of prepetition wages and benefits to the Debtors' employees (the "**Interim Wages Order**"). The Debtors have paid approximately \$660,000 pursuant to the Interim Wages Order, and have reduced these prepetition liabilities set forth in the Schedules and Statements accordingly. Where and to the extent liabilities on account of prepetition wages and benefits have been satisfied in full, they are not listed in the Schedules and Statements unless otherwise noted.

The Debtors reserve all rights to amend or supplement the Schedules and Statements or to take other action, such as filing claims objections, as is necessary and appropriate to avoid overpayment or duplicate payments for liabilities. Nothing contained herein should be deemed to alter the rights of any party in interest to contest a payment made pursuant to an order of the Bankruptcy Court where such order preserves the right to contest.

- (j) **Credits and Adjustments.** The claims of individual creditors for, among other things, goods, products, services, or taxes are listed as the amounts entered on the Debtors' books and records and may either (a) not reflect credits, allowances, or other adjustments due from such creditors to the Debtors or (b) be net of accrued credits, allowances, or other adjustments that are actually owed by a creditor to the Debtors on a postpetition basis on account of such credits, allowances, or other adjustments earned from prepetition payments and critical vendor payments, if applicable. The Debtors reserve all of their rights with regard to such credits, allowances, or other adjustments, including, but not limited to, the right to modify the Schedules, assert claims objections and/or setoffs with respect to the same, or apply such allowances in the ordinary course of business on a postpetition basis.
- (k) **Intercompany Claims.** Intercompany payables and receivables between the Debtors are set forth on Schedule E/F or Schedule A/B, as applicable. The listing by the Debtors of any account between a Debtor and another Debtor is a statement of what appears in a particular Debtor's books and records and does not reflect any admission or conclusion of the Debtors regarding the allowance, classification, characterization, validity, or priority of such account. The Debtors' historical practice is to reconcile and record intercompany payables and receivables at month end, so the reported balances represent estimates as of the Petition Date. The Debtors take no position in these Schedules and Statements as to whether such accounts would be allowed as a claim, an interest, or not allowed at all. The Debtors and all parties in interest reserve all rights with respect to such accounts.
- (l) **Guarantees and Other Secondary Liability Claims.** The Debtors have exercised reasonable efforts to locate and identify any guarantees in their executory contracts, unexpired leases, secured financings, and other such agreements. However, there may be guarantees embedded in the Debtors' contractual agreements or otherwise in the Debtors' books and records that the Debtors have inadvertently omitted from their Schedules and Statements. The Debtors may identify guarantees as they continue to review their books and records and contractual agreements. The Debtors reserve their rights, but are not required, to amend the Schedules and Statements if any guarantees are identified.
- (m) **Excluded Assets and Liabilities.** The Debtors have excluded certain categories of assets and liabilities from the Schedules and Statements, including, but not limited to: certain deferred charges, accounts, or reserves recorded only for purposes of complying with the requirements of GAAP; deferred tax assets and liabilities; goodwill and other intangibles; deferred revenue accounts; and certain accrued liabilities including, but not limited to, accrued salaries and employee benefits. Other immaterial assets and liabilities may also have been excluded.
- (n) **Liens.** The inventories, property, and equipment listed in the Schedules are presented without consideration of any liens that may attach (or have attached) to such property and equipment.
- (o) **Currency.** Unless otherwise indicated, all amounts are reflected in U.S. dollars.

- (p) **Setoffs.** The Debtors periodically incur setoffs and net payments in the ordinary course of business. Such setoffs and nettings may occur due to a variety of transactions or disputes, including, but not limited to, intercompany transactions, counterparty settlements, pricing discrepancies, returns, warranties, refunds, and negotiations and/or disputes between Debtors and their customers and/or suppliers. These normal setoffs are consistent with the ordinary course of business in the Debtors' industry. Due to the voluminous nature of setoffs and nettings, it would be unduly burdensome and costly for the Debtors to list each such transaction. Therefore, although such setoffs and other similar rights may have been accounted for when scheduling certain amounts, these ordinary course setoffs are not independently accounted for and, as such, are or may be excluded from the Debtors' Schedules and Statements. In addition, some amounts listed in the Schedules and Statements may have been affected by setoffs or nettings by third parties of which the Debtors are not yet aware. The Debtors reserve all rights to challenge any setoff and/or recoupment rights that may be asserted.

5. Specific Schedules Disclosures.

- (a) **Schedule A/B, Parts 1 and 2 – Cash and Cash Equivalents; Deposits and Prepayments.** Details with respect to the Debtors' cash management system and bank accounts are provided in the *Debtors' Motion For Orders Under 11 U.S.C. §§ 105(a), 345, 363, 503(b), and 507(a), Fed. R. Bankr. P. 6003 and 6004, and Del. Bankr. L.R. 2015-2 (I) Authorizing Continued Use Of Existing Cash Management System, Including Maintenance of Existing Bank Accounts, Checks, and Business Forms, (II) Authorizing Continuation of Existing Deposit Practices, (III) Approving the Continuation of Intercompany Transactions, and (IV) Granting Administrative Expense Status to Certain Postpetition Intercompany Claims* [Docket No. 4] (the "**Cash Management Motion**") and the interim order granting the Cash Management Motion dated July 17, 2019 [Docket No. 58]. The Debtors' cash balances are listed as of the Petition Date, July 15, 2019.
- (b) **Schedule A/B, Part 3 – Accounts Receivable, Item 11.** The Debtors' reported accounts receivable includes amounts that may be uncollectible. The Debtors are unable to determine with certainty what amounts will actually be collected.
- (c) **Schedule A/B, Part 7 – Office Furniture, Fixtures, and Equipment; and Collectibles.** Dollar amounts are presented net of accumulated depreciation and other adjustments.
- (d) **Schedule A/B, Part 10 – Intangibles and Intellectual Property, Item 60 Patents, Copyrights, Trademarks, and Trade Secrets.** The Debtors own certain intellectual property and trademarks explicitly identified in Item 60. These assets are carried on the Debtors' books and records with no net book value.
- (e) **Schedule A/B, Part 11 – All Other Assets.** Dollar amounts are presented net of impairments and other adjustments.

Tax Refunds. The Debtors may receive tax refunds at various times throughout their fiscal year. As of the Petition Date, however, certain of these amounts are unknown to the Debtors and, accordingly, are not listed on Schedule A/B.

Causes of Action against Third Parties and Other Contingent and Unliquidated Claims or Causes of Action of Every Nature, including Indemnification and Contribution Claims, Counterclaims of the Debtor and Rights to Setoff Claims. In the ordinary course of business, the Debtors may have accrued, or may subsequently accrue, certain rights to counter-claims, cross-claims, setoffs, refunds with their customers and suppliers, or potential warranty claims against their suppliers.

Executory Contracts and Unexpired Leases. Because of the large number of the executory contracts and unexpired leases, as well as the size and scope of such documents, the Debtors have not attached such agreements to Schedule A/B. Instead, the Debtors have only listed such agreements on Schedule G.

- (f) **Schedule D – Creditors Who Have Claims Secured by Property.** The claims listed on Schedule D arose or were incurred on various dates, and for the Debtors to determine the date upon which each claim arose or was incurred would be unduly burdensome and cost prohibitive. Accordingly, Schedule D does not list such date for each claim. All claims listed on Schedule D, however, appear to have arisen or have been incurred before the Petition Date.

Except as otherwise agreed pursuant to a stipulation or order entered by the Bankruptcy Court, the Debtors reserve their rights to dispute or challenge the validity, perfection, or immunity from avoidance of any lien purported to be granted or perfected in any specific asset to a secured creditor listed on Schedule D. Moreover, although the Debtors have scheduled claims of various creditors as secured claims, the Debtors reserve all rights to dispute or challenge the secured nature of any such creditor's claim or the characterization of the structure of any such transaction or any document or instrument related to such creditor's claim.

The Debtors have not included on Schedule D parties that may believe their claims are secured through setoff rights.

The indicated value of collateral supporting asserted mechanics liens related to the Kingfisher, Oklahoma facility is listed as "unknown". The Debtors estimate that the total value of such collateral is \$441,000 in aggregate. The Debtors have not assessed the relative priority of such liens and, therefore, do not know the value of collateral supporting any particular lien.

- (g) **Schedule E/F – Creditors Who Have Unsecured Claims.**

Part 1 - Creditors with Priority Unsecured Claims. Pursuant to the *Interim Order Under 11 U.S.C. §§ 105(a), 363 (b), 506(a), 507(a)(8), and 541 and Fed R. Bankr. P. 6003 and 6004 Authorizing Payment of Prepetition Taxes and Fees*, dated July 17, 2019 [Docket No. 61] (the "Interim Tax Order"), the Debtors have been granted the authority to pay, in their discretion, certain tax liabilities

that accrued prepetition. The Debtors have listed known obligations to claimants holding such tax liability claims including obligations that were paid pursuant to the Interim Tax Order.

Furthermore, pursuant to the Interim Wages Order, the Debtors received authority to pay certain prepetition obligations, including employee wages and other employee benefits, in the ordinary course of business. The Debtors believe that any undisputed, non-insider employee claims for prepetition amounts related to ongoing payroll and benefits, whether allowable as a priority or nonpriority claim, have been or will be satisfied. As such, the Debtors have listed individual employee unsecured priority claims at an undetermined amount as it would be cost prohibitive for the Debtors to calculate each employee claim on an individual basis.

The listing of a claim on Schedule E/F, Part 1 does not constitute an admission by the Debtors that such claim or any portion thereof is entitled to priority status.

Part 2 - Creditors with Nonpriority Unsecured Claims. The liabilities identified in Schedule E/F, Part 2 are derived from the Debtors' books and records. The Debtors made a reasonable attempt to set forth their unsecured obligations, although the actual amount of claims against the Debtors may vary from those liabilities represented on Schedule E/F, Part 2. The listed liabilities may not reflect the correct amount of any unsecured creditor's allowed claims or the correct amount of all unsecured claims.

Pursuant to various orders to pay certain prepetition nonpriority unsecured claims, the Debtors have been granted the authority to pay, in their discretion, certain prepetition obligations. These orders include: (1) *Interim Order Under 11 U.S.C. §§ 105(a), 362(d), 363(b), 364(c) and 503(b) Authorizing Debtors to (I) Pay Their Prepetition Insurance Obligations, (II) Pay Their Prepetition Bonding Obligations, (III) Maintain Their Postpetition Insurance Coverage, (IV) Maintain Their Bonding Program, and (V) Maintain Postpetition Financing of Insurance Premiums* [Docket No. 63] dated July 17, 2019; and (2) *Interim Order Under 11 U.S.C. §§ 105(a), 363(b), 506(b), 541, 1107(a), and 1108 and Fed. R. Bankr. P. 6003 (I) Authorizing Debtors to Pay Certain Prepetition Claims of Shippers, Lien Claimants, and Royalty Interest Owners, (II) Confirming Administrative Expense Priority of Undisputed and Outstanding Prepetition Orders, and (III) Granting Related Relief* [Docket No. 62] dated July 17, 2019. The Debtors have listed known obligations to claimants holding nonpriority unsecured claims including obligations that were paid pursuant to these interim and final orders. The Debtors reserve all rights, but shall have no obligation, to amend or supplement the Schedules and Statements or to take other action, such as filing claims objections, as is necessary and appropriate to avoid overpayment or duplicate payments for liabilities.

The Debtors generally allocate individual liabilities to particular Debtors. However, in certain cases, it would be a time-consuming and inefficient use of estate resources, or impracticable, to assign a given liability to a particular Debtor

based on a contractual obligation. Instead, the Schedules reflect the liability based on the Debtors' books and records.

Schedule E/F, Part 2 lists certain prepetition amounts owing to counterparties to executory contracts and unexpired leases. Such prepetition amounts, however, may be paid in connection with the assumption or assumption and assignment of an executory contract or unexpired lease or pursuant to a Bankruptcy Court order otherwise permitting payment of such prepetition claims. In addition, Schedule E/F, Part 2 does not include claims that may arise in connection with the rejection of any executory contracts or unexpired leases, if any, that may be rejected in these chapter 11 cases.

In many cases, the claims listed on Schedule E/F, Part 2 arose, accrued, or were incurred on various dates or on a date or dates that are unknown to the Debtors or are subject to dispute. Where the determination of the date on which a claim arose, accrued, or was incurred would be unduly burdensome and costly to the Debtors' estates, the Debtors have not listed a specific date or dates for such claim.

As of the time of filing of the Schedules and Statements, the Debtors had not received all invoices for payables, expenses, and other liabilities that may have accrued prior to the Petition Date. Accordingly, the information contained in Schedules D and E/F may be incomplete. The Debtors reserve their rights, but undertake no obligations, to amend Schedules D and E/F if and as they receive such invoices.

- (h) **Schedule G – Executory Contracts and Unexpired Leases.** While reasonable efforts have been made to ensure the accuracy of Schedule G, inadvertent errors or omissions may have occurred.

Listing a contract or agreement on Schedule G does not constitute an admission that such contract or agreement is an executory contract or unexpired lease or that such contract or agreement was in effect on the Petition Date or is valid or enforceable. The Debtors hereby reserve all of their rights to dispute the validity, status, or enforceability of any contracts, agreements, or leases set forth in Schedule G and to amend or supplement such Schedule as necessary. Certain of the leases and contracts listed on Schedule G may contain renewal options, guarantees of payment, indemnifications, options to purchase, rights of first refusal, and other miscellaneous rights. Such rights, powers, duties, and obligations are not set forth separately on Schedule G. In addition, the Debtors may have entered into various other types of agreements in the ordinary course of their business, such as supplemental agreements and letter agreement, which documents may not be set forth in Schedule G. The Debtors have not listed non-disclosure, confidentiality or related agreements on their Schedule G.

The Debtors reserve all rights to dispute or challenge the characterization of any transaction or any document or instrument related to a creditor's claim. In some cases, the same supplier or provider may appear multiple times in Schedule G.

Multiple listings, if any, reflect distinct agreements between the applicable Debtor and such supplier or provider.

The listing of any contract on Schedule G does not constitute an admission by the Debtors as to the validity of any such contract. The Debtors reserve the right to dispute the effectiveness of any such contract listed on Schedule G or to amend Schedule G at any time to remove any contract.

Omission of a contract or agreement from Schedule G does not constitute an admission that such omitted contract or agreement is not an executory contract or unexpired lease. The Debtors' rights under the Bankruptcy Code with respect to any such omitted contracts or agreements are not impaired by the omission. The Debtors reserve their rights to, but undertake no obligations to, amend Schedule G as additional information becomes available.

6. **Specific Statements Disclosures.**

- (a) **Statements, Part 1, Question 4 – Other Cash Equivalents.** The Debtors maintain reversionary interests in three escrow accounts related to a prepetition sale transaction, with a total value that will not be determined until the allotted time periods provided for in each escrow agreement expires. The value of these escrow accounts is reported as the net book value carried in the Debtors' books and records.
- (b) **Statements, Part 2, Question 5 – Repossessions, foreclosures, and returns.** Certain property of the Debtors is currently held by storage and transloading operators. The Debtors do not believe such property is subject to receivership or repossession, but make this disclosure out of an abundance of caution.
- (c) **Statements, Part 2, Question 6 – Setoffs.** For a discussion of setoffs and nettings incurred by the Debtors, refer to paragraph 4(q) of these Global Notes.
- (d) **Statements, Part 3, Question 7 – Legal Actions or Assignments.** The Debtors have not included workers' compensation claims in response to this question because the Debtors maintain that this disclosure would be in violation of certain laws including HIPAA (Health Insurance Portability and Accountability Act of 1996). The answer to Question 7 only lists litigation filed against the Debtors and does not include any potential litigation that may have been threatened against any of the Debtors.
- (e) **Statements, Part 5, Question 10 – Certain Losses.** The Debtors have incurred losses related to an incident at its San Antonio facility. Losses of this nature are typically not recorded on the Debtors' books and records. For purposes of the Debtors' Schedules and Statements, the Debtors have estimated such losses, where possible, and the actual losses recoverable through insurance coverage remain subject to the insurance claims process. The loss related to the failure of the west wall in the facility's mud retention pond has been listed as "unknown" because of the uncertainty and complexity inherent in the insurance claims process.

- (f) **Statements, Part 6, Question 11 – Payments Related to Bankruptcy.** The Debtors have listed all payments, whether or not they relate to bankruptcy matters, made to professionals retained by the Debtors that the Debtors consulted about debt consolidation or restructuring.

- (g) **Statements, Part 12, Questions 22-24 – Details About Environmental Information.** The Debtors have operations in many locations. At some locations, the Debtors no longer have any operations and may no longer have relevant records, or the records may no longer be complete or reasonably accessible or reviewable, or individuals who once possessed responsive information may no longer be employed by the Debtors. For all these reasons, it may not be possible to identify and supply the requested information for every “site” and “proceeding” literally responsive to Item 22-24. The Debtors have devoted substantial internal and external resources to identifying and providing the requested information for as many responsive sites and proceedings as reasonably possible. The Debtors may supplement or amend this response in the future. When some requested categories of information were not reasonably available for a listed “site” or “proceeding,” the Debtors’ response gives as much information as was reasonably available. When a site is the subject of a proceeding, settlement or order listed in the response to Item 22, the site and notices related to it are not also listed in the responses to Item 23 or 24. Similarly, sites that are listed in the response to Item 23 (sites for which the Debtors have received notice from a governmental unit) are not repeated in response to Item 24 (sites for which the Debtors have provided notice to a governmental unit). To avoid duplication, notices are not listed to the extent they refer to another notice or proceeding already identified in 22, 23 or 24. This response does not include sites or proceedings related to non-environmental laws such as mine safety and health laws or transportation laws.

- (h) **Statements, Part 13, Question 26 – Books, Records, and Financial Statements.** The Debtors provide certain parties, such as banks, auditors, potential investors, vendors, and financial advisors, with financial statements that may not be part of a public filing. Additionally, certain of the Debtors are public companies that provide access to all of their books and records. Accordingly, the Debtors do not maintain complete lists or other records tracking such disclosures. Therefore, the Debtors have not provided full lists of these parties in their response to Statement Question 26.

- (i) **Statements, Part 13, Question 27 – Inventories.** The Debtors produce and maintain inventory at their various locations on a regular basis. Additionally, because the Debtors’ typical practice is to value existing inventory at the end of the month, the value for purposes of Statements, Part 13, Question 27 is estimated as of the Petition Date.

* * * * *

Fill in this information to identify the case:

Debtor Name: In re : Emerge Energy Services Operating LLC
 United States Bankruptcy Court for the: District Of Delaware
 Case number (if known): 19-11565 (KBO)

Check if this is an amended filing

Official Form 207

Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy 04/19

The debtor must answer every question. If more space is needed, attach a separate sheet to this form. On the top of any additional pages, write the debtor's name and case number (if known).

Part 1: Income

1. Gross revenue from business

None

Identify the beginning and ending dates of the debtor's fiscal year, which may be a calendar year	Sources of revenue Check all that apply	Gross revenue (before deductions and exclusions)
From the beginning of the fiscal year to filing date: From _____ to Filing date MM / DD / YYYY	<input type="checkbox"/> Operating a business <input type="checkbox"/> Other _____	\$ _____
For prior year: From _____ to _____ MM / DD / YYYY MM / DD / YYYY	<input type="checkbox"/> Operating a business <input type="checkbox"/> Other _____	\$ _____
For the year before that: From _____ to _____ MM / DD / YYYY MM / DD / YYYY	<input type="checkbox"/> Operating a business <input type="checkbox"/> Other _____	\$ _____

Name

Part 2: List Certain Transfers Made Before Filing for Bankruptcy

3. Certain payments or transfers to creditors within 90 days before filing this case

List payments or transfers-including expense reimbursements-to any creditor, other than regular employee compensation, within 90 days before filing this case unless the aggregate value of all property transferred to that creditor is less than \$6,825 . (This amount may be adjusted on 4/01/22 and every 3 years after that with respect to cases filed on or after the date of adjustment.)

None

Creditor's name and address	Dates	Total amount or value	Reasons for payment or transfer Check all that apply
3.1 See Amended SOFA 3 Attachment Creditor's Name Street City State ZIP Code Country		\$	<input checked="" type="checkbox"/> Secured debt <input type="checkbox"/> Unsecured loan repayments <input checked="" type="checkbox"/> Suppliers or vendors <input checked="" type="checkbox"/> Services <input type="checkbox"/> Other

4. Payments or other transfers of property made within 1 year before filing this case that benefited any insider

List payments or transfers, including expense reimbursements, made within 1 year before filing this case on debts owed to an insider or guaranteed or cosigned by an insider unless the aggregate value of all property transferred to or for the benefit of the insider is less than \$6,825. (This amount may be adjusted on 4/01/22 and every 3 years after that with respect to cases filed on or after the date of adjustment.) Do not include any payments listed in line 3. Insiders include officers, directors, and anyone in control of a corporate debtor and their relatives; general partners of a partnership debtor and their relatives; affiliates of the debtor and insiders of such affiliates; and any managing agent of the debtor. 11 U.S.C. § 101(31).

None

Insider's Name and Address	Dates	Total amount or value	Reason for payment or transfer
4.1 See Amended SOFA 4 Attachment Insider's Name Street City State ZIP Code Country Relationship to Debtor		\$	

WARNING -- Bankruptcy fraud is a serious crime. Making a false statement, concealing property, or obtaining money or property by fraud in connection with a bankruptcy case can result in fines up to \$500,000 or imprisonment for up to 20 years, or both.

18 U.S.C. §§ 152, 1341, 1519, and 3571.

I have examined the information in this *Statement of Financial Affairs* and any attachments and have a reasonable belief that the information is true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on 08/30/2019
MM / DD / YYYY

x / s / Bryan Gaston _____

Printed name Bryan Gaston _____

Signature of individual signing on behalf of the debtor

Position or relationship to debtor Restructuring Officer _____

Are additional pages to *Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy* (Official Form 207) attached?

No

Yes

In re: Emerge Energy Services Operating LLC

Case No. 19-11565

Attachment 3

Certain payments or transfers to creditors within 90 days before filing this case

Creditor's name	Address 1	Address 2	City	State	Zip	Country	Date	Total amount or value	Reason for payment or transfer (e.g. Secured debt, Unsecured loan repayments, Suppliers or vendors, Services, or Other)
BDO USA, LLP	PO Box 677973		Dallas	TX	75267		6/20/19	\$82,234.00	Services
Cortland Capital Market Services LLC	225 West Washington St Ste 2100		Chicago	IL	60606		5/10/19	\$11,500.00	Secured Debt
Cortland Capital Market Services LLC	225 West Washington St Ste 2100		Chicago	IL	60606		5/1/19	\$406,540.27	Secured Debt
Houlihan Lokey	10250 Constellation Blvd 5th Floor		Los Angeles	CA	90067		5/31/19	\$126,227.79	Services
Houlihan Lokey	10250 Constellation Blvd 5th Floor		Los Angeles	CA	90067		5/3/19	\$126,495.55	Services
Houlihan Lokey	10250 Constellation Blvd 5th Floor		Los Angeles	CA	90067		6/20/19	\$129,817.85	Services
Jackson Walker LLP	2323 Ross Avenue Suite 600		Dallas	TX	75201		4/16/19	\$50,000.00	Services
Lyons, Benenson & Company Inc	777 Third Avenue	33rd Floor	New York	NY	10017		5/10/19	\$85,600.00	Suppliers or Vendors
Nexus Program Management Group, LLC	16200 Addison Rd Ste 210		Addison	TX	75001		6/7/19	\$10,847.71	Suppliers or Vendors
Nexus Program Management Group, LLC	16200 Addison Rd Ste 210		Addison	TX	75001		5/17/19	\$47,427.47	Suppliers or Vendors
Nexus Program Management Group, LLC	16200 Addison Rd Ste 210		Addison	TX	75001		4/19/19	\$54,937.89	Suppliers or Vendors
Nexus Program Management Group, LLC	16200 Addison Rd Ste 210		Addison	TX	75001		6/14/19	\$109,994.03	Suppliers or Vendors
Nexus Program Management Group, LLC	16200 Addison Rd Ste 210		Addison	TX	75001		6/20/19	\$401,375.19	Suppliers or Vendors
Opportune LLP	711 Louisiana St	Suite 3100	Houston	TX	77002		6/27/19	\$15,000.00	Services
Pachulski Stang Ziehl & Jones LLP	919 North Market Street	17th Floor	Wilmington	DE	19801		6/20/19	\$50,000.00	Services
PricewaterhouseCoopers LLP	Suncor Energy Centre	111 5 Avenue SW Ste 3100	Calgary	AB	T2P 5L3	Canada	6/14/19	\$97,694.96	Services
RR Donnelley	35 W Wacker Dr.		Chicago	IL	60601		6/20/19	\$6,965.11	Services
RR Donnelley & Sons Company BCS Postage	PO Box 842313		Boston	MA	02284-2313		7/3/19	\$9,201.25	Services
Weil, Gotshal & Manges LLP	767 Fifth Avenue		New York	NY	10153		6/20/19	\$439,199.46	Services

In re: Emerge Energy Services Operating LLC**Case No. 19-11565**

Attachment 4

Payments or other transfers of property made within 1 year before filing this case that benefited any insider

Insider's name	Address 1	City	State	Zip	Date	Total amount or value	Reasons for payment or transfer	Relationship to debtor
Deborah Deibert	4021 Highland Oaks Ln.	Cleburne	TX	76031	11/30/2018	\$642.95	Expense Reimbursement	Former CFO
Deborah Deibert	4021 Highland Oaks Ln.	Cleburne	TX	76031	8/22/2018	\$764.85	Expense Reimbursement	Former CFO
Deborah Deibert	4021 Highland Oaks Ln.	Cleburne	TX	76031	6/6/2019	\$1,097.90	Expense Reimbursement	Former CFO
Eugene Davis	5 Canoe Brook Drive	Livingston	NJ	07039	6/5/2019	\$115.92	Expense Reimbursement	Board Member - Special Restructuring Committee
Eugene Davis	5 Canoe Brook Drive	Livingston	NJ	07039	4/30/2019	\$30,000.00	Director Payment	Board Member - Special Restructuring Committee
Eugene Davis	5 Canoe Brook Drive	Livingston	NJ	07039	6/1/2019	\$30,000.00	Director Payment	Board Member - Special Restructuring Committee
Eugene Davis	5 Canoe Brook Drive	Livingston	NJ	07039	7/1/2019	\$30,000.00	Director Payment	Board Member - Special Restructuring Committee
Francis J. Kelly III	23 Sutton Place	Weston	MA	02493	9/30/2018	\$16,406.25	Director Payment	Board Member
Francis J. Kelly III	23 Sutton Place	Weston	MA	02493	12/31/2018	\$16,406.25	Director Payment	Board Member
Francis J. Kelly III	23 Sutton Place	Weston	MA	02493	3/31/2019	\$16,406.25	Director Payment	Board Member
Francis J. Kelly III	23 Sutton Place	Weston	MA	02493	6/30/2019	\$16,406.25	Director Payment	Board Member
Kevin Clark	6037 Keats St	Franklin	TN	37064	7/17/2018	\$498.21	Expense Reimbursement	Board Member
Kevin Clark	6037 Keats St	Franklin	TN	37064	1/21/2019	\$545.97	Expense Reimbursement	Board Member
Kevin Clark	6037 Keats St	Franklin	TN	37064	10/24/2018	\$721.15	Expense Reimbursement	Board Member
Kevin Clark	6037 Keats St	Franklin	TN	37064	9/30/2018	\$16,406.25	Director Payment	Board Member
Kevin Clark	6037 Keats St	Franklin	TN	37064	12/31/2018	\$16,406.25	Director Payment	Board Member
Kevin Clark	6037 Keats St	Franklin	TN	37064	3/31/2019	\$16,406.25	Director Payment	Board Member
Kevin Clark	6037 Keats St	Franklin	TN	37064	6/30/2019	\$16,406.25	Director Payment	Board Member
Mark Gottfredson	7321 Trianon Ct	Colleyville	TX	76034	9/30/2018	\$13,781.25	Director Payment	Board Member
Mark Gottfredson	7321 Trianon Ct	Colleyville	TX	76034	12/31/2018	\$13,781.25	Director Payment	Board Member
Mark Gottfredson	7321 Trianon Ct	Colleyville	TX	76034	3/31/2019	\$13,781.25	Director Payment	Board Member
Mark Gottfredson	7321 Trianon Ct	Colleyville	TX	76034	6/30/2019	\$13,781.25	Director Payment	Board Member
Nadya Kurani	1514 Spruce Ct	Southlake	TX	76092	5/1/2019	\$341.06	Expense Reimbursement	Former CAO
Nadya Kurani	1514 Spruce Ct	Southlake	TX	76092	8/9/2018	\$522.75	Expense Reimbursement	Former CAO
Nadya Kurani	1514 Spruce Ct	Southlake	TX	76092	11/20/2018	\$716.87	Expense Reimbursement	Former CAO
Nadya Kurani	1514 Spruce Ct	Southlake	TX	76092	10/12/2018	\$1,421.62	Expense Reimbursement	Former CAO
Nadya Kurani	1514 Spruce Ct	Southlake	TX	76092	12/31/2018	\$1,425.12	Expense Reimbursement	Former CAO

In re: Emerge Energy Services Operating LLC**Case No. 19-11565**

Attachment 4

Payments or other transfers of property made within 1 year before filing this case that benefited any insider

Insider's name	Address 1	City	State	Zip	Date	Total amount or value	Reasons for payment or transfer	Relationship to debtor
William Transier	12128 Madeleine Circle	Dallas	TX	75230	6/27/2019	\$1,910.73	Expense Reimbursement	Board Member - Special Restructuring Committee
William Transier	12128 Madeleine Circle	Dallas	TX	75230	4/30/2019	\$30,000.00	Director Payment	Board Member - Special Restructuring Committee
William Transier	12128 Madeleine Circle	Dallas	TX	75230	6/1/2019	\$30,000.00	Director Payment	Board Member - Special Restructuring Committee
William Transier	12128 Madeleine Circle	Dallas	TX	75230	7/1/2019	\$30,000.00	Director Payment	Board Member - Special Restructuring Committee