UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION

In re:	Chapter 11
WALTER ENERGY, INC., *et al.*,[1]	Case No. 15-02741-TOM11
Debtors.	Jointly Administered

NOTICE OF WALTER BLACK WARRIOR BASIN, LLC'S MOTION FOR AN ORDER *NUNC PRO TUNC* (A) AUTHORIZING WALTER BLACK WARRIOR BASIN, LLC TO REJECT CERTAIN AGREEMENTS WITH DOMINION RESOURCES BLACK WARRIOR TRUST AND (B) GRANTING RELATED RELIEF

PLEASE TAKE NOTICE that on October 2, 2015, Walter Black Warrior Basin, LLC ("WBWB"), one of the Debtors in the above-captioned bankruptcy case, by and through its undersigned counsel, filed *Walter Black Warrior Basin, LLC's Motion for a Nunc Pro Tunc Order (A) Authorizing Walter Black Warrior Basin, LLC to Reject Certain Agreements with Dominion Resources Black Warrior Trust and (B) Granting Related Relief* (the "Motion").

PLEASE TAKE FURTHER NOTICE that objections or responses to the Motion, if any, must be filed with the United States Bankruptcy Court for the Northern District of Alabama, Southern Division, and served so as to be received by the undersigned counsel on or before

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Walter Energy, Inc. (9953); Atlantic Development and Capital, LLC (8121); Atlantic Leaseco, LLC (5308); Blue Creek Coal Sales, Inc. (6986); Blue Creek Energy, Inc. (0986); J.W. Walter, Inc. (0648); Jefferson Warrior Railroad Company, Inc. (3200); Jim Walter Homes, LLC (4589); Jim Walter Resources, Inc. (1186); Maple Coal Co., LLC (6791); Sloss-Sheffield Steel & Iron Company (4884); SP Machine, Inc. (9945); Taft Coal Sales & Associates, Inc. (8731); Tuscaloosa Resources, Inc. (4869); V Manufacturing Company (9790); Walter Black Warrior Basin LLC (5973); Walter Coke, Inc. (9791); Walter Energy Holdings, LLC (1596); Walter Exploration & Production LLC (5786); Walter Home Improvement, Inc. (1633); Walter Land Company (7709); Walter Minerals, Inc. (9714); and Walter Natural Gas, LLC (1198). The location of the Debtors' corporate headquarters is 3000 Riverchase Galleria, Suite 1700, Birmingham, Alabama 35244-2359.

October 21, 2015 (the "Objection Deadline").[2]

PLEASE TAKE FURTHER NOTICE that a hearing on the Motion will be held on **October 28, 2015 at 9:00 a.m. (prevailing Central Time)** before the Honorable Tamara O. Mitchell, at the United States Bankruptcy Court for the Northern District of Alabama, Southern Division, Courtroom #3, Robert S. Vance Federal Building, 1800 Fifth Avenue North, Birmingham, Alabama 35203-2111 (the "Bankruptcy Court").

PLEASE TAKE FURTHER NOTICE THAT IF NO OBJECTIONS OR RESPONSES ARE RECEIVED IN ACCORDANCE WITH THE TERMS OF THIS NOTICE, THE BANKRUPTCY COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

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[2] All deadlines and hearing dates set forth in this notice are based upon the Court's *Order Pursuant to 11 U.S.C. §§ 102 and 105(a) and Bankruptcy Rules 2002(m) and 9007 Implementing Certain Notice and Case Management Procedures* [Docket No. 56].

Dated: October 2, 2015
Birmingham, Alabama

BRADLEY ARANT BOULT CUMMINGS LLP

By: /s/ Patrick Darby

Patrick Darby
Jay Bender
Cathleen Moore
James Bailey
One Federal Place
1819 Fifth Avenue North
Birmingham, Alabama 35203
Telephone: (205) 521-8000
Email: pdarby@babc.com, jbender@babc.com,
ccmoore@babc.com, jbailey@babc.com

- and -

PAUL, WEISS, RIFKIND, WHARTON &
GARRISON LLP
Stephen J. Shimshak (*pro hac vice*)
Kelley A. Cornish (*pro hac vice*)
Claudia R. Tobler (*pro hac vice*)
Ann K. Young (*pro hac vice*)
Michael S. Rudnick (*pro hac vice*)
1285 Avenue of the Americas
New York, New York 10019
Telephone: (212) 373-3000
Email: sshimshak@paulweiss.com, kcornish@paulweiss.com,
ctobler@paulweiss.com, ayoung@paulweiss.com,
mrudnick@paulweiss.com

Counsel to the Debtors and
Debtors-in-Possession

UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
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In re:	Chapter 11
WALTER ENERGY, INC., *et al.*,[1]	Case No. 15-02741-TOM11
Debtors.	Jointly Administered

WALTER BLACK WARRIOR BASIN, LLC'S MOTION FOR AN ORDER *NUNC PRO TUNC* (A) AUTHORIZING WALTER BLACK WARRIOR BASIN, LLC TO REJECT CERTAIN AGREEMENTS WITH DOMINION RESOURCES BLACK WARRIOR TRUST AND (B) GRANTING RELATED RELIEF

Walter Black Warrior Basin, LLC ("WBWB"), one of the debtors in the above-captioned chapter 11 cases (collectively, the "Debtors"), hereby moves (the "Motion"), pursuant to section 365 of title 11 of the United States Code (the "Bankruptcy Code") and Rules 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for the entry of an order, substantially in the form annexed hereto as Exhibit A (the "Proposed Order"): (i) authorizing WBWB to reject, *nunc pro tunc* to the date of this Motion, (a) that certain *Overriding Royalty Conveyance* dated June 1, 1994 (as it may have been amended from time to time, the "Royalty Agreement") by and between WBWB, as successor in interest to Dominion Black Warrior Basin, Inc. ("DBWB"),[2] on the one hand, and NationsBank of Texas, N.A. and Mellon Bank (DE)

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Walter Energy, Inc. (9953); Atlantic Development and Capital, LLC (8121); Atlantic Leaseco, LLC (5308); Blue Creek Coal Sales, Inc. (6986); Blue Creek Energy, Inc. (0986); J.W. Walter, Inc. (0648); Jefferson Warrior Railroad Company, Inc. (3200); Jim Walter Homes, LLC (4589); Jim Walter Resources, Inc. (1186); Maple Coal Co., LLC (6791); Sloss-Sheffield Steel & Iron Company (4884); SP Machine, Inc. (9945); Taft Coal Sales & Associates, Inc. (8731); Tuscaloosa Resources, Inc. (4869); V Manufacturing Company (9790); Walter Black Warrior Basin LLC (5973); Walter Coke, Inc. (9791); Walter Energy Holdings, LLC (1596); Walter Exploration & Production LLC (5786); Walter Home Improvement, Inc. (1633); Walter Land Company (7709); Walter Minerals, Inc. (9714); and Walter Natural Gas, LLC (1198). The location of the Debtors' corporate headquarters is 3000 Riverchase Galleria, Suite 1700, Birmingham, Alabama 35244-2359.

[2] Dominion Black Warrior Basin, Inc. was converted into a Delaware limited liability company and renamed HighMount Black Warrior Basin, LLC on July 31, 2007. HighMount Black Warrior Basin LLC was renamed

National Association (the "Trustees"), as trustees of the Dominion Resources Black Warrior Trust ("Dominion"),[3] on the other hand, (b) that certain *Trust Agreement of Dominion Resources Black Warrior Trust* dated May 31, 1994 (as it may have been amended from time to time, the "Trust Agreement") by and among WBWB, as successor in interest to DBWB, WBWB, as successor in interest to Dominion Resources, Inc. ("DRI"), and the Trustees, and (c) that certain *Administrative Services Agreement* dated June 1, 1994 (as it may have been amended from time to time, the "Services Agreement" and, collectively with the Royalty Agreement and the Trust Agreement, the "Dominion Agreements")[4] by and among WBWB, as successor in interest to DRI, and Dominion; and (ii) granting related relief. In support of this Motion, WBWB relies upon the Declaration of David Hanford, attached hereto as Exhibit B (the "Hanford Declaration"), and respectfully states as follows:

SUMMARY OF RELIEF

1. Rejecting the Dominion Agreements will benefit not only WBWB, but all of the Debtors, their estates, and their creditors. Under these patently burdensome agreements, WBWB is obligated to pay royalties to Dominion from the operation of WBWB's gas wells, without Dominion bearing any share of the operating costs of those wells. WBWB pays Dominion over $7 million annually under the Dominion Agreements, and derives no corresponding benefit. Unless relief is granted, WBWB's losses may continue indefinitely, as the Dominion Agreements do not specify a termination date. In the interests of all the Debtors

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WBWB on May 29, 2010. *See* Declaration of William G. Harvey in Support of First Day Motions [Docket No. 3] (the "Harvey Declaration") at ¶ 42.

[3] Southwest Bank is currently the trustee for Dominion. *See* Original Complaint and Application for Preliminary and Permanent Injunction [Docket No. 1 in AP No. 15-00102-TOM] (the "Dominion Complaint") ¶ 8.

[4] The Dominion Agreements are attached as exhibits to the *Declaration of Ron E. Hooper* filed at Doc. No. 3 in the adversary proceeding styled *Dominion Resources Black Warrior Trust, by and through its Trustee, Southwest Bank v. Walter Black Warrior Basin, LLC,* AP No. 15-00102-TOM (the "Dominion AP").

and their estates, WBWB requests that the Court approve the rejection of the Dominion Agreements *nunc pro tunc* to the date of the filing of this Motion.

JURISDICTION

2. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334. Venue is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409. This is a core proceeding under 28 U.S.C. § 157(b).

3. The statutory and legal predicates for the relief requested herein are sections section 365 of the Bankruptcy Code and Bankruptcy Rules 6006 and 9014.

BACKGROUND

4. On July 15, 2015 (the "Petition Date"), Walter Energy, Inc., WBWB, and the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code, thereby commencing the instant cases (the "Chapter 11 Cases"). The Debtors continue to manage and operate their businesses as debtors-in-possession under sections 1107 and 1108 of the Bankruptcy Code.

5. On the Petition Date, this Court entered an order consolidating these Chapter 11 Cases for procedural purposes only.

6. The Bankruptcy Administrator for the Northern District of Alabama has appointed two official committees in these Chapter 11 Cases: a statutory committee of unsecured creditors (the "UCC"); and a committee of retired employees pursuant to sections 1114(c)(2) and 1114(d) of the Bankruptcy Code (the "Section 1114 Committee").

7. No parties have requested appointment of a trustee or examiner in these Chapter 11 Cases.

THE DOMINION AGREEMENTS

8. The Dominion Agreements are intertwined executory contracts between WBWB and Dominion that were executed and delivered contemporaneously, or substantially contemporaneously, in 1994 in connection with Dominion's formation.

9. The Dominion Agreements provide, among other things, that WBWB will operate certain wells for gas production and pay Dominion with respect to such production. *See* Royalty Agreement at 14 § 6.01; Trust Agreement at 24-25 § 5.02. Prepetition, WBWB made quarterly payments to Dominion based upon Dominion's contractual share of the gross proceeds from WBWB's sale of gas (the "Dominion Payments").[5] *See* Royalty Agreement at 8-9 § 3.01; Trust Agreement at 24-25 § 5.02. The Royalty Agreement requires WBWB to operate the wells subject to the Dominion Agreements as if WBWB was not burdened with the Dominion Payments. *See* Royalty Agreement at 14 § 6.01.

10. WBWB has additional obligations under the Royalty Agreement other than remitting the Dominion Payments. For instance, WBWB must keep accurate records of operations, deliver quarterly and yearly financial documents to Dominion, market the gas for sale, and provide other administrative services for Dominion's benefit. *See* Royalty Agreement at 7-8, 12-13 §§ 2.01, 2.03, 2.05, 4.01; Trust Agreement at 15, 27-28 § 3.06, 5.05; Services Agreement at § 3.

11. Dominion also has ongoing obligations under the Dominion Agreements. Without limitation, Dominion has the obligation to pay WBWB a quarterly administrative

[5] Dominion has asserted that, under the Dominion Agreements, it holds an overriding royalty interest in production proceeds from the sale of gas extracted from certain of WBWB's wells. Dominion sought a temporary restraining order and a preliminary and permanent injunction in the Dominion AP that would, among other things, compel WBWB to segregate certain proceeds from WBWB's gas wells for the benefit of Dominion. The Court denied Dominion's request for a temporary restraining order by order dated August 24, 2015. *See* Dominion AP, Docket No. 39. Soon thereafter, Dominion voluntarily dismissed the Dominion AP. *See* Dominion AP, Docket No. 42. WBWB disputes Dominion's characterizations of Dominion's rights and reserves all rights, claims, and defenses with respect thereto.

services fee for accounting and related services. *See* Services Agreement §§ 2-4. Dominion must also notify WBWB of any objections to the quarterly financial documents, pay costs of annual audits, and pay taxes related to the Dominion Payments. *See* Royalty Agreement at 7-8, 11 §§ 2.04, 2.05 3.04(c). Dominion is obligated to sell its interests in the Dominion Payments in certain circumstances, if WBWB requests such a sale. *See* Royalty Agreement at 19-20 § 9.03(b). The Trust Agreement further provides that Dominion must sell its interests to WBWB upon satisfaction of certain conditions. *See* Trust Agreement at 38-39 § 9.03. Moreover, Dominion has agreed to a non-operating interest, meaning that it has an obligation not to participate in the operating decisions, and Dominion has agreed not to take any gas in kind related to any payments. *See* Royalty Agreement at 15 §§ 6.05, 6.06.

12. From January 1, 2014 to December 31, 2014, WBWB operated the wells that are subject to the Dominion Agreements at a loss of over $777,000, while paying Dominion over $7 million. Hanford Declaration ¶ 6. WBWB continues to operate these wells postpetition and will continue to lose money from such operations unless relieved of its obligations under the Dominion Agreements.

REJECTING THE DOMINION AGREEMENTS IS A SOUND EXERCISE OF WBWB'S BUSINESS JUDGMENT

13. Section 365(a) of the Bankruptcy Code provides that a debtor may assume or reject an executory contract or unexpired lease, subject to the bankruptcy court's approval. 11 U.S.C. § 365(a); *see also Stewart Title Guaranty Co. v. Republic Nat'l Title Ins. Co.*, 83 F.3d 735, 741 (5th Cir. 1996) (the purpose of rejection is to allow the debtor-in-possession to "relieve the bankruptcy estate of burdensome agreements which have not been completely performed") (quoting *In re Murexco Petroleum, Inc.*, 15 F.3d 60, 62 (5th Cir. 1994)). A contract is executory for purposes of section 365 if rejection of such contract would benefit the debtor's

estate and its creditors. *See In re General Development Corp.*, 84 F.3d 1364, 1374-76 (11th Cir. 1996).

14. Rejection under section 365(a) is one of the most important powers granted by Congress to a debtor to facilitate its rehabilitation. Section 365 does not provide any requirements for rejecting executory contracts. *See In re Prime Motor Inns*, 124 B.R. 378, 381 (Bankr. S.D. Fla. 1991). Courts review a debtor's decision to assume or reject an executory contract or unexpired lease under the "business judgment" test. *See NLRB v. Bildisco & Bildisco*, 465 U.S. 513, 523 (1984); *In re Gardinier, Inc.*, 831 F.2d 974, 976 n.2 (11th Cir. 1987). Applying this standard, courts generally defer to a debtor's decision to reject a contract if the debtor determines that, in the debtor's business judgment, the contract is burdensome and rejection likely will benefit the debtor's estate. *See Sharon Steel Corp. v. Nat'l Fuel Gas Distrib. Corp.*, 872 F.2d 36, 40 (3d Cir. 1989); *In re III Enters., Inc. V*, 163 B.R. 453, 469 (Bankr. E.D. Pa. 1994) ("Generally, a court will give great deference to a debtor's decision to assume or reject an executory contract.").

15. Courts should accept a debtor's decision to reject an executory contract "except upon a finding of bad faith or gross abuse of their business discretion." *In re Health Science Prods.*, 191 B.R. 895, 909 (Bankr. N.D. Ala. 1995) (Cohen, J.) (citations omitted). A debtor-in-possession satisfies its burden under the business judgment standard by presenting any credible evidence that rejection will likely benefit the estate. *See In re Weaver Oil Co.*, No. 08-40379-LMK, 2008 Bankr. LEXIS 4159, at *5 (Bankr. N.D. Fla. Nov. 17, 2008) (citations and quotations omitted).

16. WBWB has determined that the Dominion Agreements are burdensome and rejecting the Dominion Agreements will benefit WBWB, its estate, and creditors. *See* Hanford

Declaration ¶¶ 4-9. WBWB's decision to reject the Dominion Agreements is based on sound business judgment. *See id.*

17. Without limitation, operating the wells in compliance with the Dominion Agreements has resulted in yearly losses for WBWB, and WBWB forecasts that losses will continue if it is not allowed to reject the Dominion Agreements. *See id.* If the Court does not approve WBWB's rejection of the Dominion Agreements, Dominion will insist that WBWB continue operating the wells for Dominion's benefit to WBWB's detriment.[6] Complying with the Dominion Agreements at a loss harms not only the Debtors, but also their secured lenders, whose cash collateral will be depleted if WBWB is required to use such cash to pay Dominion.[7] Other creditors and parties in interest are similarly prejudiced by ongoing losses to the Debtors. Until the Dominion Agreements are rejected and WBWB is relieved of its obligations thereunder, the Dominion Agreements may present an impediment to the marketing of WBWB's assets for sale as a going concern.[8]

18. Rejecting the Dominion Agreements will allow WBWB more flexibility to either continue production at the wells free of the financial burdens imposed by the Dominion Agreements, or cease production at those wells altogether, thereby reducing or eliminating operating costs for the benefit of all the Debtors' estates and their creditors. *See Prime Motor Inns*, 124 B.R. at 381-83 (approving rejection of contract because it might result in reduced operating costs).

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[6] WBWB reserves the right to exercise its business judgment to continue operating some or all of the wells that may be subject to the Dominion Agreements.

[7] On information and belief, the Debtors' secured lenders are unwilling to fund these losses out of their cash collateral.

[8] The Debtors reserve all rights under section 363 of the Bankruptcy Code.

19. Approving WBWB's rejection of the Dominion Agreements will reduce potential administrative claims against WBWB and enhance the Debtors' restructuring efforts. Minimizing potential administrative claims in this manner will assist WBWB and all the Debtors in their restructuring efforts. *See id.* at 382-83 (considering the potential that rejection will assist with reorganization and refusing to take into consideration any hardship rejection would oppose on a counterparty). Once the Dominion Agreements are rejected, Dominion's claims for rejection damages will be treated as prepetition unsecured claims against WBWB, not as administrative claims. *See* 11 U.S.C. §§ 365(g), 502(g).

20. For the foregoing reasons, and such other reasons as WBWB may present at a hearing on this Motion, the Dominion Agreements are executory contracts and WBWB's decision to reject the Dominion Agreements represents a sound exercise of its business judgment. Accordingly, the Court should authorize WBWB to reject the Dominion Agreements *nunc pro tunc* to the date of filing this Motion.

21. The Debtors reserve the right to reject any other executory contracts and unexpired leases other than the Dominion Agreements.

NOTICE

22. Notice of this Motion will be provided to: (i) counsel to the agent for the Debtors' prepetition secured credit facility; (ii) counsel for the indenture trustee for each of the Debtors' outstanding bond issuances; (iii) counsel to the Steering Committee of First Lien Creditors; (iv) counsel to the UCC; (v) counsel to the Section 1114 Committee; (vi) counsel for Dominion, through its trustee Southwest Bank, counterparty to the Dominion Agreements; and (vii) all persons and entities that have filed a request for service of filings in these Chapter 11 Cases pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested herein, no other or further notice is necessary.

CONCLUSION

WHEREFORE, WBWB respectfully requests that the Court enter an order, substantially in the form attached hereto as Exhibit A, (i) authorizing WBWB to reject each of the Dominion Agreements, *nunc pro tunc* to the date on which this Motion is filed; and (ii) granting such other and further relief as the Court deems just and proper.

Dated: October 2, 2015
Birmingham, Alabama

BRADLEY ARANT BOULT CUMMINGS LLP

By: /s/ Patrick Darby

Patrick Darby
Jay Bender
Cathleen Moore
James Bailey
One Federal Place
1819 Fifth Avenue North
Birmingham, Alabama 35203
Telephone: (205) 521-8000
Email: pdarby@babc.com, jbender@babc.com,
ccmoore@babc.com, jbailey@babc.com

- and -

PAUL, WEISS, RIFKIND, WHARTON &
GARRISON LLP
Stephen J. Shimshak (*pro hac vice*)
Kelley A. Cornish (*pro hac vice*)
Claudia R. Tobler (*pro hac vice*)
Ann K. Young (*pro hac vice*)
Michael S. Rudnick (*pro hac vice*)
1285 Avenue of the Americas
New York, New York 10019
Telephone: (212) 373-3000
Email: sshimshak@paulweiss.com, kcornish@paulweiss.com,
ctobler@paulweiss.com, ayoung@paulweiss.com,
mrudnick@paulweiss.com

Counsel to the Debtors and
Debtors-in-Possession

EXHIBIT A

PROPOSED ORDER

UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION

In re:	Chapter 11
WALTER ENERGY, INC., *et al.*,[1]	Case No. 15-02741-TOM11
Debtors.	Jointly Administered

ORDER (A) AUTHORIZING WALTER BLACK WARRIOR BASIN, LLC TO REJECT CERTAIN AGREEMENTS WITH DOMINION RESOURCES BLACK WARRIOR TRUST *NUNC PRO TUNC* AND (B) GRANTING RELATED RELIEF

Upon consideration of the motion (the "Motion")[2] of Walter Black Warrior Basin, LLC ("WBWB"), one of the Debtors in the Chapter 11 Cases, pursuant to section 365(a) of the Bankruptcy Code and Bankruptcy Rules 6006 and 9014, requesting entry of an Order: (i) authorizing WBWB to reject the Dominion Agreements, and (ii) granting related relief; and it appearing that this Court has jurisdiction to consider the Motion pursuant to 28 U.S.C. §§ 157 and 1334; and it appearing that venue of these cases and the Motion in this district is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and it appearing that adequate and proper notice of the Motion has been given and that no other or further notice need be

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Walter Energy, Inc. (9953); Atlantic Development and Capital, LLC (8121); Atlantic Leaseco, LLC (5308); Blue Creek Coal Sales, Inc. (6986); Blue Creek Energy, Inc. (0986); J.W. Walter, Inc. (0648); Jefferson Warrior Railroad Company, Inc. (3200); Jim Walter Homes, LLC (4589); Jim Walter Resources, Inc. (1186); Maple Coal Co., LLC (6791); Sloss-Sheffield Steel & Iron Company (4884); SP Machine, Inc. (9945); Taft Coal Sales & Associates, Inc. (8731); Tuscaloosa Resources, Inc. (4869); V Manufacturing Company (9790); Walter Black Warrior Basin LLC (5973); Walter Coke, Inc. (9791); Walter Energy Holdings, LLC (1596); Walter Exploration & Production LLC (5786); Walter Home Improvement, Inc. (1633); Walter Land Company (7709); Walter Minerals, Inc. (9714); and Walter Natural Gas, LLC (1198). The location of the Debtors' corporate headquarters is 3000 Riverchase Galleria, Suite 1700, Birmingham, Alabama 35244-2359.

[2] Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Motion.

given; and the Court having found and determined that the relief sought in the Motion is in the best interests of WBWB, its estate and all parties in interest; and after due deliberation and sufficient cause appearing therefor; it is hereby ORDERED, ADJUDGED and DECREED that:

1. The Motion is GRANTED.

2. WBWB is authorized to reject the Dominion Agreements pursuant to section 365 of the Bankruptcy Code and the Dominion Agreements are deemed rejected pursuant to section 365 of the Bankruptcy Code *nunc pro tunc* as of the date of the Motion.

3. The Debtors reserve the right to reject any other executory contracts or unexpired leases.

4. This Order is effective and enforceable immediately upon entry.

5. This Court shall retain jurisdiction with respect to all matters arising from or related to the implementation or interpretation of this Order.

Dated: _____, 2015

TAMARA O. MITCHELL
United States Bankruptcy Judge

EXHIBIT B

HANFORD DECLARATION

UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION

In re:	Chapter 11
WALTER ENERGY, INC., *et al.*,[1]	Case No. 15-02741-TOM11
Debtors.	Jointly Administered

DECLARATION OF DAVID HANFORD IN SUPPORT OF WALTER BLACK WARRIOR BASIN, LLC'S MOTION FOR AN ORDER *NUNC PRO TUNC* (A) AUTHORIZING WALTER BLACK WARRIOR BASIN, LLC TO REJECT CERTAIN AGREEMENTS WITH DOMINION RESOURCES BLACK WARRIOR TRUST AND (B) GRANTING RELATED RELIEF

I, David Hanford, make this declaration under 28 U.S.C. § 1746 and hereby state:

1. My name is David Hanford. I am over the age of 21 years. I am an assistant controller with Walter Energy, Inc. ("Walter Energy"). I have served in that capacity since 2011.

2. I submit this declaration in support of WBWB's *Motion for a Nunc Pro Tunc Order (A) Authorizing Walter Black Warrior Basin LLC to Reject Certain Agreements with Dominion Resources Black Warrior Trust and (B) Granting Related Relief* (the "Motion").

3. My duties as assistant controller include accounting for the profits and losses of Walter Black Warrior Basin LLC ("WBWB"), an indirect subsidiary of Walter Energy.

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Accordingly, I am familiar with the day-to-day operations of WBWB, its business and financial affairs, books, and records. Among other things, I am familiar with (a) that certain *Overriding Royalty Conveyance* dated June 1, 1994 (as it may have been amended, the "Royalty Agreement") by and between WBWB, as successor in interest to Dominion Black Warrior Basin, Inc. ("DBWB"), on the one hand, and NationsBank of Texas, N.A. and Mellon Bank (DE) National Association (the "Trustees"), as trustees of the Dominion Resources Black Warrior Trust ("Dominion"), on the other hand, (b) that certain *Trust Agreement of Dominion Resources Black Warrior Trust* dated May 31, 1994 (as it may have been amended, the "Trust Agreement") by and between WBWB, as successor in interest to DBWB, WBWB, as successor in interest to Dominion Resources, Inc. ("DRI"), and the Trustees, and (c) that certain Administrative Services Agreement dated June 1, 1994 (as it may have been amended, the "Services Agreement" and, collectively with the Royalty Agreement and the Trust Agreement, the "Dominion Agreements") by and between WBWB, as successor in interest to DRI, and Dominion.

4. Prior to July 15, 2015, and pursuant to the Dominion Agreements, WBWB remitted quarterly payments to Dominion based on the gross revenue from the sale of gas produced in wells that are subject to the Dominion Agreements.

5. Dominion did not and does not contribute any amount of money towards the operating expenses of the wells subject to the Dominion Agreements.

6. From January 1, 2014 to December 31, 2014, WBWB operated the wells subject to the Dominion Agreements at a loss of approximately $777,000 while paying Dominion over $7 million.

7. WBWB continues to operate the wells. If WBWB is required to make payments under the Dominion Agreements it will operate the wells at a loss.

8. Absent the Dominion Agreements, WBWB could save money by retaining the proceeds from gas sales or ceasing some operations with respect to the wells that are subject to the Dominion Agreements.

9. Accordingly, in the exercise of its business judgment, WBWB has determined that it would be beneficial to WBWB and its creditors for WBWB to reject the Dominion Agreements under section 365 of the Bankruptcy Code.

[***Signature on Following Page***]

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct, and that this declaration was executed this 1st day of October, 2015.

David Hanford
Assistant Controller
Walter Energy, Inc.