

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In re: SOUTHLAND ROYALTY COMPANY LLC
Debtor

Case No. 20-10158 (KBO)
Reporting Period: June 1, 2021 - June 1, 2021

MONTHLY OPERATING REPORT

File with Court and submit copy to United States Trustee within 20 days after end of month.

Submit copy of report to any official committee appointed in the case.

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Affidavit/Supplement Attached
Schedule of Cash Receipts and Disbursements	MOR-1	X		
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	X		
Schedule of Professional Fees Paid	MOR-1b	X		
Copies of bank statements				
Cash disbursements journals				
Statement of Operations	MOR-2	X		
Balance Sheet	MOR-3	X		
Status of Postpetition Taxes	MOR-4			Declaration attached
Copies of IRS Form 6123 or payment receipt				
Copies of tax returns filed during reporting period				
Summary of Unpaid Postpetition Debts	MOR-4	X		
Listing of aged accounts payable	MOR-4	X		
Accounts Receivable Reconciliation and Aging	MOR-5	X		
Debtor Questionnaire	MOR-5	X		

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

Date

Signature of Joint Debtor

Date

/s/ Frank A. Pometti

Signature of Authorized Individual*

7/30/2021

Date

Frank A. Pometti

Printed Name of Authorized Individual

Plan Administrator

Title of Authorized Individual

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

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Debtor

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General Notes

Debtor-in-Possession's Financial Statements

The financial statements and supplemental information contained herein are unaudited, preliminary, and may not comply with generally accepted accounting principles in the United States of America ("U.S. GAAP") in all material respects.

Financial Accounting Standards Board Accounting Standards Codification 852, (Reorganizations) ("ASC 852"), which is applicable to companies in chapter 11, requires that financial statements for periods after the filing of a chapter 11 petition distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. The financial statements have been prepared in accordance with ASC 852. The unaudited financial statements have been derived from the books and records of the Debtor. This information, however, has not been subject to procedures that would typically be applied to financial information presented in accordance with U.S. GAAP, and upon application of such procedures, the Debtor believes that the financial information could be subject to changes, and these changes could be material. The information furnished in this report includes preliminary normal recurring adjustments.

The results of operations contained herein are not necessarily indicative of results which may be expected from any other period or for the full year and may not necessarily reflect the results of operations, financial position and cash flows of the Debtor in the future.

The information contained herein is provided to fulfill the requirements of the Office of the United States Trustee.

June 1 Effective Date Footnote

On June 1, 2021, the effective date of the Amended Chapter 11 Plan of Southland Royalty Company LLC (the "Plan") occurred and the sale of substantially all of the Debtor's remaining assets to Wamsutter E&P, LLC ("Williams") closed. Accordingly, this monthly operating report only covers June 1, 2021. Because the Debtor's assets were transferred to Williams on June 1, 2021, and the Debtor ceased operations on that date, the Debtor did not prepare any new financial statements for the month of June. The financial statements attached to this monthly operating report are identical to the financial statements attached to the May monthly operating report.

The Reorganized Debtor intends to file a separate post-confirmation report for the period of June 2, 2021 through June 30, 2021. However, the Reorganized Debtor did not make any disbursements following June 1, 2021 and did not issue any Plan payments in the month of June. Accordingly, certain of the information contained in this monthly operating report and the post-confirmation report may be duplicative.

In re: SOUTHLAND ROYALTY COMPANY LLC
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See June 1 Effective Date Footnote

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

	CURRENT MONTH (1) Southland Royalty Company LLC Case No. 20-10158 (KBO)	CUMULATIVE FILING TO DATE(1) Southland Royalty Company LLC Case No. 20-10158 (KBO)
RECEIPTS		
Operating (2)	\$ 136,295	\$ 265,116,356
Other Receipts	1,500,000	\$ 86,207,709
DIP Proceeds	-	\$ -
TOTAL RECEIPTS	\$ 1,636,295	\$ 351,324,065
DISBURSEMENTS		
Operating Disbursements	\$ -	\$ (162,195,507)
DIP Roll-up Repayment	-	\$ (47,000,000)
Professional Fees & Expenses (3)	-	\$ (63,707,324)
Other Restructuring Related Payments (4)	-	\$ (7,434,676)
RBL Distribution	-	\$ (35,237,725)
Transfer of Royalty Suspense Escrow	-	\$ (1,650,441)
Management Services Agreement	-	\$ (18,440,461)
Transfer of Funds to Plan Admin Account	(27,810,603)	\$ (27,810,603)
TOTAL DISBURSEMENTS	\$ (27,810,603)	\$ (363,476,737)
NET CASH FLOW	\$ (26,174,308)	\$ (12,152,672)

DISBURSEMENTS FOR CALCULATING U.S. TRUSTEE QUARTERLY FEES:

TOTAL DISBURSEMENTS	\$ (27,810,603)	\$ (243,744,267)
LESS: TRANSFERS TO DIP ACCOUNTS	-	6,451,826
TOTAL DISBURSEMENTS	\$ (27,810,603)	\$ (237,292,441)

1. The information contained herein is provided to fulfill the requirements of the Office of the United States Trustee. All information contained herein is unaudited and subject to future adjustment. Certain totals may not sum due to rounding.

2. Operating receipts include receipts of production receipts, joint interest billing receipts, hedge receipts, and miscellaneous receipts.

3. Includes DIP Lender advisor fees and expenses.

4. Other restructuring related payments include DIP interest and fees and adequate assurance deposits.

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BANK RECONCILIATIONS
Continuation Sheet for MOR-1
Bank Balances as of June 1, 2021

Debtor	Bank Name	Account Description	Account Number	Bank Balance
Southland Royalty Company LLC	Capital One, N.A.	Master Account	XXXXXX-5905	\$1,354,693.32
Southland Royalty Company LLC	Capital One, N.A.	Payroll Account	XXXXXX-9390	\$0.00
Southland Royalty Company LLC	Capital One, N.A.	Controlled Disbursement Account	XXXXXX-6177	\$0.00
Southland Royalty Company LLC	Capital One, N.A.	Utility Deposit Account	XXXXXX-9471	\$49,000.00
Total				\$1,403,693.32

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SCHEDULE OF PROFESSIONAL FEES AND EXPENSES PAID

Payee	Period Covered	Amount Approved	Payor	Check		Amount Paid This Period		Case-To-Date	
				Number	Date	Fees	Expenses	Fees	Expenses
ALIXPARTNERS			SOUTHLAND ROYALTY COMPANY LLC					\$12,073,756.71	\$85,843.54
BAKER BOTTS LLP			SOUTHLAND ROYALTY COMPANY LLC					3,659,673.50	43,594.50
BRACEWELL LLP			SOUTHLAND ROYALTY COMPANY LLC					167,004.25	30.00
CONWAY MACKENZIE, LLC			SOUTHLAND ROYALTY COMPANY LLC					2,685,457.70	25,703.82
EPIQ SYSTEMS ACQUISITION INC			SOUTHLAND ROYALTY COMPANY LLC					2,646,975.69	29,919.42
FOX ROTHSCHILD LLP			SOUTHLAND ROYALTY COMPANY LLC					425,520.40	2,144.84
JEFFERIES LLC			SOUTHLAND ROYALTY COMPANY LLC					1,250,000.00	39,436.52
KPMG			SOUTHLAND ROYALTY COMPANY LLC					362,374.50	0.00
MORRIS, NICHOLS, ARSHT & TUNNELL LLP			SOUTHLAND ROYALTY COMPANY LLC					136,141.80	1,635.75
PJT PARTNERS LP			SOUTHLAND ROYALTY COMPANY LLC					7,676,869.34	11,687.91
POLSINELLI PC			SOUTHLAND ROYALTY COMPANY LLC					90,634.50	2,249.81
RICHARDS LAYTON & FINGER			SOUTHLAND ROYALTY COMPANY LLC					461,513.00	8,870.88
RPA ADVISORS, LLC			SOUTHLAND ROYALTY COMPANY LLC					3,075,563.56	150,217.98
SHEARMAN & STERLING LLP			SOUTHLAND ROYALTY COMPANY LLC					21,614,644.15	494,940.96
THRONE LAW OFFICE PC			SOUTHLAND ROYALTY COMPANY LLC					31,272.50	0.00
WILLKIE FARR & GALLAGHER, LLP			SOUTHLAND ROYALTY COMPANY LLC					4,607,111.90	89,340.78
YOUNG CONAWAY STARGATT & TAYLOR, LLP			SOUTHLAND ROYALTY COMPANY LLC					1,670,260.50	86,933.41

In re: SOUTHLAND ROYALTY COMPANY LLC
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STATEMENT OF OPERATIONS
(Income Statement)

Southland Royalty Company LLC
Consolidated Income Statements
Reporting Period: June 1, 2021 - June 1, 2021

	June 1, 2021 Through June 1, 2021	May 4, 2021 Through May 1, 2021
REVENUES		
Oil and condensate	\$ 3,368,650	\$ 3,005,695
Unrealized gain on oil hedges		
Realized gain on oil hedges		
Natural gas liquids	\$ 4,392,602	4,136,771
Gas	\$ 7,089,541	7,399,607
Unrealized gain on gas hedges	\$ 1,408,524	2,305,356
Realized gain on gas hedges		
Other		
Total Revenues	<u>16,259,317</u>	<u>16,847,429</u>
EXPENSES		
Production	\$ 3,723,667	3,532,439
Exploration	\$ 142,597	95,275
Production taxes	\$ 871,092	820,306
Property taxes	\$ (205,750)	(37,612)
Other deductions	\$ (6,899,116)	8,650,970
Taxes, transportation and other	<u>(6,233,774)</u>	<u>9,433,664</u>
Depreciation, depletion and amortization	\$ 2,684,445	2,686,602
Accretion of discount in asset retirement obligation	\$ 968,823	968,823
General and administrative (before incentive compensation and G&A credits)	\$ 4,526,352	3,960,016
G&A credits	\$ (1,040,596)	(1,125,602)
General and administrative	<u>3,485,756</u>	<u>2,834,414</u>
Total Expenses	<u>4,771,514</u>	<u>19,551,217</u>
Operating income	11,487,803	(2,703,788)
OTHER INCOME (EXPENSES)		
Gain on sale of assets (See footnote)	\$ -	-
Interest income	\$ -	-
Interest expense	<u>(203,215)</u>	<u>(252,879)</u>
Total Other Income (Expenses)	<u>(203,215)</u>	<u>(252,879)</u>
INCOME BEFORE INCOME TAX	<u>\$ 11,284,588</u>	<u>\$ (2,956,667)</u>

In re: SOUTHLAND ROYALTY COMPANY LLC Case No. 20-10158 (KBO)
 Debtors Reporting Period: June 1, 2021 - June 1, 2021
 See June 1 Effective Date Footnote
BALANCE SHEET

ASSETS	BOOK VALUE AT END OF May 31, 2021 See June 1 Effective Date Footnote	BOOK VALUE AT END OF April 30, 2021
Current Assets:		
Cash and cash equivalents	\$57,537,339	\$51,214,571
Trade Accounts receivable, net	0.00	2,095,637
Accrued Revenue and other receivables	15,515,681	18,050,263
Derivative fair value		
Other current assets	5,104,645	5,005,489
Total Current Assets	78,157,665	76,365,960
Property and Equipment, at cost- successful efforts method:		
Proved properties	1,430,565,434	1,430,547,559
Unproved properties	164,465,123	164,464,304
Other	18,262,511	18,262,511
Total Property and Equipment	1,613,293,068	1,613,274,374
Accumulated depreciation, depletion and amortization	(1,087,280,347)	(1,084,595,902)
Net Property and Equipment	526,012,721	528,678,472
Derivative fair value		
Other Assets	8,533,707	6,387,983
TOTAL ASSETS	612,704,093	611,432,415
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Accounts payable - Post Petition	\$222,412	\$187,014
Liabilities subject to compromise	107,870,445	108,038,156
Accrued liabilities and other payables	54,064,750	64,683,607
Other current liabilities	3,500,000	3,500,000
Derivative fair value		
Current Maturities of Long-term Debt	521,766,212	521,766,212
Total Current Liabilities	687,423,819	698,174,989
Asset Retirement Obligation	171,968,479	171,017,986
Other Long-term Liabilities	60,652	272,885
Partners' Equity:		
Partners' equity - MSP	193,800,000	193,800,000
Partners' equity - Encap	775,200,000	775,200,000
Retained earnings	(1,215,516,229)	(1,226,800,817)
Distributions	(232,628)	(232,628)
Total Partners' Equity	(246,748,857)	(258,033,445)
TOTAL LIABILITIES AND PARTNERS' EQUITY	\$612,704,093	\$611,432,415

Note: All information contained herein is unaudited and subject to future adjustment.

In re: SOUTHLAND ROYALTY COMPANY LLC
Debtor

Case No. 20-10158 (KBO)
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MOR-4(Dec): DECLARATION REGARDING THE STATUS OF POST-PETITION TAXES

David A Rawden hereby declares under penalty of perjury under 28 U.S.C. § 1746:

1. I am the Chief Administrative Officer of Southland Royalty Company LLC. In that capacity I am generally familiar with the above-captioned debtor and debtor-in-possession's day-to-day operations, business affairs and books and records. I am authorized to submit this Declaration on behalf of the Debtor.
2. All statements in the Declaration are based on my personal knowledge, my review of the relevant documents, my discussions with other employees of the Debtor or my opinion based upon my experience and knowledge of the Debtor's operations and financial condition. If I were called upon to testify, I could and would testify to each of the facts set forth herein based on such personal knowledge, review of documents, discussions with other employees of the Debtor or opinion.
3. To the best of my knowledge and except as otherwise set forth in this Monthly Operating Report, the Debtor has filed all necessary federal, state and local tax returns and has timely made (or is in the process of remediating any immaterial late filings or payments) all related required post-petition tax payments.

Respectfully submitted,

/s/ Frank A. Pometti

Dated 7/30/2021 By: Frank A. Pometti
Title: Plan Administrator

In re: SOUTHLAND ROYALTY COMPANY LLC
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SUMMARY OF UNPAID POSTPETITION DEBTS

	Number of Days Past Due						Total
	Current	0-30	31-60	61-90	Over 90		
SOUTHLAND ROYALTY COMPANY LLC	\$ 208,463	\$ 39,980		\$ (134)	\$ (25,897)		\$ 222,412
Total Postpetition Debts	\$ 208,463	\$ 39,980	\$ -	\$ (134)	\$ (25,897)		\$ 222,412
See Footnote			(a)	(a)	(a)		

Explain how and when the Debtor intends to pay any past-due postpetition debts.

(a) Negative balances represent credits that will be applied against future invoices

Post-Petition debts only include both processed and unprocessed trade payables; amounts are subject to change and reclassified as pre-petition as the company continues to reconcile invoice dates.

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ACCOUNTS RECEIVABLE RECONCILIATION AND AGING

Accounts Receivable Reconciliation (1)		Amount
Total Accounts Receivable at the beginning of the reporting period		2,095,637
+ Amounts billed during the period		570,495
- Amounts collected during the period		(576,624)
- Amounts written off		
Total Accounts Receivable at the end of the reporting period		\$ 2,089,508
Accounts Receivable Aging		Amount
0 - 30 days old		\$ -
31 - 60 days old		\$ -
61 - 90 days old		\$ -
91+ days old		\$ -
Retention		
Total Accounts Receivable		\$ -
Amount considered uncollectible (Bad Debt)		
Accounts Receivable (Net)		\$ -

Note: Accounts receivable primarily consists of JIBs

DEBTOR QUESTIONNAIRE

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below. (a)	X	
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below.		X
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s). If an investment account has been opened provide the required documentation pursuant to the Delaware Local Rule 4001-3. (a)		X

In re: SOUTHLAND ROYALTY COMPANY LLC
Debtor

Case No. 20-10158 (KBO)
Quarterly Period: April 1, 2021 - June 30, 2021

SCHEDULE OF QUARTERLY DISBURSEMENTS AND TRUSTEE FEES

Trustee Quarterly Fees Schedule					SOUTHLAND ROYALTY COMPANY LLC
Disbursements ¹					Case No. 20-10158 (KBO)
April 1, 2021 - April 30, 2021					14,280,030.43
May 1, 2021 - May 31, 2021					79,184,295.67
June 1, 2021 - June 30, 2021					27,810,602.53
Quarter-to-Date Disbursements					121,274,928.63
Percentage applied					0.80%
US Trustee Fees Due ²					250,000.00

1) Monthly disbursements per the MOR-1 forms from previously filed Monthly Operating Reports

2) Balance due - the lower amount of \$250,000 or 0.8% of quarter-to-date disbursements, rounded to nearest dollar