

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

PATRIOT COAL CORPORATION, *et al.*,

Debtors.¹

Chapter 11

Case No. 12-12900 (SCC)

Jointly Administered

INTERIM ORDER AUTHORIZING DEBTORS TO (i) ENTER INTO, PERFORM UNDER, ROLL OVER, ADJUST, MODIFY, SETTLE, TERMINATE AND ENGAGE IN CERTAIN DERIVATIVE CONTRACTS AND (ii) PLEDGE COLLATERAL UNDER DERIVATIVE CONTRACTS

Upon the motion (the “**Motion**”)² of Patriot Coal Corporation and its subsidiaries that are debtors and debtors in possession in these proceedings (collectively, the “**Debtors**”) to grant the Debtors authority, but not direction, to (a) perform Derivative Contracts Transactions relating to Covered Contracts, (b) pay any prepetition amounts owed under Covered Contracts, (c) enter into and perform Ancillary Transactions relating to Covered Contracts and (d) perform all such actions necessary or appropriate to implement, execute and perform these transactions pursuant to section 363 of the Bankruptcy Code, all as more fully described in the Motion; and upon consideration of the Declaration of Mark N. Schroeder, Patriot Coal Corporation’s Senior Vice President and Chief Financial Officer, filed in support of the Debtors’ first-day pleadings; and the Court having jurisdiction to consider the Motion and the relief requested therein pursuant

¹ The Debtors are the entities listed on Schedule 1 attached to the Motion. The employer tax identification numbers and addresses for each of the Debtors are set forth in the Debtors’ chapter 11 petitions.

² Unless otherwise defined herein, each capitalized term shall have the meaning ascribed to such term in the Motion.

to 28 U.S.C. §§ 157 and 1334 and Standing Order M-61 Referring to Bankruptcy Judges for the Southern District of New York Any and All Proceedings Under Title 11, dated July 10, 1984, (Ward, Acting C.J.) as amended by Standing Order M-431, dated February 1, 2012 (Preska, C.J.); and consideration of the Motion and the requested relief being a core proceeding the Bankruptcy Court can determine pursuant to 28 U.S.C. § 157(b); and due and proper notice of the Motion having been provided to (a) the Office of the United States Trustee for the Southern District of New York (the “**U.S. Trustee**”), (b) those creditors holding the five largest secured claims against the Debtors’ estates on a consolidated basis, (c) those creditors holding the 50 largest unsecured claims against the Debtors’ estates on a consolidated basis, (d) attorneys for the administrative agents for the Debtors’ proposed postpetition lenders, (e) the Internal Revenue Service, (f) the Securities and Exchange Commission, (g) the United States Environmental Protection Agency, (h) the United States Attorney’s Office for the Southern District of New York and (i) the Counterparties to the Prepetition Derivative Contracts; and it appearing that no other or further notice need be provided; and the relief requested in the Motion being in the best interests of the Debtors and their estates and creditors; and the Court having reviewed the Motion and having held a hearing with appearances of parties in interest noted in the transcript thereof (the “**Hearing**”); and the Court having determined that the legal and factual bases set forth in the Motion and at the Hearing establish just cause for the relief granted herein; and the Court having determined that the relief requested is necessary to avoid immediate and irreparable harm; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor, it is

ORDERED that, pursuant to section 363 of the Bankruptcy Code, the relief

requested in the Motion is hereby granted as set forth herein; and it is further

ORDERED that the Debtors are authorized, but not directed, to continue performance under Prepetition Derivative Contracts, enter into and perform under Postpetition Derivative Contracts and perform any Derivative Contracts Transactions relating to Covered Contracts without further order of the Court; *provided* that, prior to entry of an order granting the relief requested in the Motion on a final basis, the Debtors will not pay any prepetition amount arising under Derivative Contracts Transactions before the applicable due date; and it is further

ORDERED that the Debtors are authorized, but not directed, to pay any prepetition amounts owed under Prepetition Derivative Contracts; and it is further

ORDERED that the Debtors are authorized, but not directed, to enter into and perform any Ancillary Transactions with respect to Covered Contracts without further order of the Court; and it is further

ORDERED that the Debtors are authorized, but not directed, to perform all actions necessary or proper to implement, execute and perform Derivative Contracts Transactions and Ancillary Transactions relating to Covered Contracts without further order of the Court; and it is further

ORDERED that, pursuant to sections 105 and 362(d)(1) of the Bankruptcy Code, the automatic stay is modified to permit Counterparties to exercise their rights and remedies under Covered Contracts in accordance with their terms and to the extent provided by applicable non-bankruptcy law, to:

- (i) take certain actions if an event of default (as defined in the applicable Covered Contract) with respect to the Debtors has occurred and is

continuing, including early termination and liquidation of such contract and Ancillary Transactions;

- (ii) exercise the right to net or setoff certain mutual obligations between the Debtors and the counterparty to the relevant Covered Contract upon the termination and liquidation of such contracts and ancillary transactions;
- (iii) collect from the Debtors amounts that may be owed to them following such netting or setoff; and
- (iv) provide that a Counterparty's rights under the applicable Covered Contract may not be modified, stayed, avoided or otherwise limited by further order of the Court or any court proceeding under the Bankruptcy Code;

and it is further

ORDERED that nothing herein shall be deemed an approval of the assumption or rejection of any Derivative Contracts or Ancillary Transactions pursuant to section 365 of the Bankruptcy Code; and it is further

ORDERED that the relief granted herein shall not apply to the Excluded Contracts; and it is further

ORDERED that to the extent that there may be any inconsistency between the terms of the interim or final order approving the proposed debtor in possession financing, if and when entered, and this Interim Order, the terms of the interim or final order approving the proposed debtor in possession financing, as applicable, shall govern; and it is further

ORDERED that, within three business days of the entry of this Interim Order, the Debtors shall serve a copy of the Interim Order and the Motion on (a) the U.S. Trustee,

(b) those creditors holding the five largest secured claims against the Debtors' estates on a consolidated basis, (c) those creditors holding the 50 largest unsecured claims against the Debtors' estates on a consolidated basis, (d) attorneys for the administrative agents for the Debtors' proposed postpetition lenders, (e) the Internal Revenue Service, (f) the Securities and Exchange Commission, (g) the United States Environmental Protection Agency, (h) the United States Attorney's Office for the Southern District of New York and (i) the Counterparties to the Prepetition Derivative Contracts; and it is further

ORDERED that any objection to the relief requested in the Motion on a permanent basis must, by 4:00 p.m. (prevailing Eastern Time) on July 25, 2012 (the "**Objection Deadline**"), be: (a) filed with the Court and (b) actually received by (i) the U.S. Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attn: Elisabetta G. Gasparini and Paul K. Schwartzberg, (ii) proposed counsel to the Debtors, Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017, Attn: Marshall S. Huebner and Brian M. Resnick, (iii) attorneys for the administrative agents for the Debtors' proposed postpetition lenders, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, NY 10153, Attn: Marcia Goldstein and Joseph Smolinsky, and Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, NY 10019, Attn: Margot B. Schonholtz and Ana Alfonso and (iv) the attorneys for any official committee of unsecured creditors then appointed in these cases; and it is further

ORDERED that a reply to an Objection may be filed with the Court and served on or before 12:00 p.m. (prevailing Eastern Time) on the day that is at least two business days before the date of the applicable hearing; and it is further

ORDERED that there shall be a hearing on August 2, 2012, at 2:00 p.m.
(prevailing Eastern Time) to consider any timely objections to the Motion; and it is
further

ORDERED that the notice procedures set forth in the Motion are good and
sufficient notice and satisfy Bankruptcy Rule 9014 by providing parties with a notice and
an opportunity to object and be heard at a hearing; and it is further

ORDERED that notwithstanding the possible applicability of Bankruptcy Rule
6004(h) or any other Bankruptcy Rule, the terms and conditions of this Order shall be
immediately effective and enforceable upon its entry; and it is further

ORDERED that the requirements of Bankruptcy Rule 6003 are satisfied by the
contents of the Motion and the arguments and evidence presented at the hearing; and it is
further

ORDERED that this Court shall retain jurisdiction for all matters arising from or
related to the implementation of this Interim Order.

Dated: July 16, 2012
New York, New York

/s/ Shelley C. Chapman
HONORABLE SHELLEY C. CHAPMAN
UNITED STATES BANKRUPTCY JUDGE