

Handwritten initials and scribbles in the top left corner.

RECEIVED & FILED

99 APR -6 PM 3:47 ^{ED}

U.S. BANKRUPTCY COURT
PATRICIA GRAY, CLERK

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF NEVADA

In re:)	In Proceedings Under Chapter 11
)	
PEGASUS GOLD CORPORATION, et al.;)	CASE NOS. BK-N-98-30088GWZ
)	through BK-N-98-30105GWZ
)	(Jointly Administered)
Debtors.)	Hearing Date: May 17, 1999
)	Hearing Time: 9:00 a.m.

**APPLICATION OF BEHRE DOLBEAR & COMPANY, INC.
PURSUANT TO SECTION 331 OF THE BANKRUPTCY CODE FOR
(i) INTERIM ALLOWANCE OF COMPENSATION FOR SERVICES
RENDERED AND REIMBURSEMENT OF EXPENSES INCURRED FROM
DECEMBER 1, 1998 THROUGH FEBRUARY 5, 1999 AS MINERAL INDUSTRY
CONSULTANTS FOR OFFICIAL COMMITTEE OF UNSECURED CREDITORS
AND (ii) FOR FINAL ALLOWANCE OF FEES AND EXPENSES INCURRED
DURING THE APPLICATION PERIOD**

TO THE HONORABLE GREGG W. ZIVE,
UNITED STATES BANKRUPTCY JUDGE:

Behre Dolbear & Company, Inc. ("BD&C"), as mineral industry consultants for The Official Committee of Unsecured Creditors (the "Committee"), hereby makes its final application (the "Application") for (i) allowance and payment of interim compensation for professional services rendered incurred from December 1, 1998 through February 5, 1999 (the "Final Period") of \$5,625, and (ii) final allowance of all fees and expenses incurred during the period from March 19, 1998 through February 5, 1999 (the "Application Period"). By this Application, BD&C thus seeks final allowance and payment of \$777,262.75 and \$104,957.55 in fees and expenses, respectively, incurred during the Application Period, inclusive of the interim amount identified above, and respectfully represents:

BACKGROUND

1. Pegasus Gold Corporation, Pegasus Gold Inc., Beal Mountain Mining, Inc., Black Pine Mining, Inc., Diamond Hill Mining, Inc., Florida Canyon Mining, Inc., Pangea Explorations, Inc., Pangea Gold Corporation, Pangea International Holdings Corporation, Pangea Minerals, Inc., Pangea Resources Explorations, Inc., Pegasus Gold Finance

2194

1 Corporation, Pegasus Gold Financing, L.L.C., Pegasus Gold International, Inc., Pegasus Gold
2 Montana Mining, Inc., POV Corporation, Montana Tunnels Mining, Inc. and Zortman Mining,
3 Inc. (collectively, the “Debtors”), filed bankruptcy petitions under Chapter 11 of the
4 Bankruptcy Code with the Clerk of this Court on January 26, 1998 (the “Petition Date”). By
5 Order dated January 16, 1998, the Chapter 11 cases of Debtors were administratively
6 consolidated.

7 2. This Court has jurisdiction over this Application pursuant to 28 U.S.C. §§ 157
8 and 1334 of the Bankruptcy Code. The statutory predicates for the relief sought herein are
9 sections 330 and 331 of the Bankruptcy Code.

10 RETENTION OF BD&C

11 3. On February 2, 1998, the United States Trustee for the District of Nevada
12 appointed the Committee. On March 19, 1998, the Committee retained BD&C as its mineral
13 industry consultants, subject to Court approval. At a hearing held on June 8, 1998, the Court
14 approved the retention of BD&C (the “BD&C Retention Order”).

15 4. No agreement or understanding exists between BD&C and any other person for
16 a sharing of compensation received for services rendered in or in connection with Debtors’
17 Chapter 11 cases, nor shall BD&C share or agree to share the compensation paid or allowed
18 from Debtors’ estates for such services with any other person. The foregoing constitutes the
19 statements of BD&C pursuant to section 504 of the Bankruptcy Code and Federal Rule of
20 Bankruptcy Procedure 2016(a). In addition, annexed hereto as Exhibit H is the Declaration of
21 Bernard J. Guarnera in support of this Application.

22 SUMMARY OF BD&C’S FEES AND EXPENSES

23 5. By this Application, BD&C seeks allowance and payment of final compensation
24 of \$727,262.75 for professional services rendered as mineral industry consultants to the
25 Committee and reimbursement of \$104,957.55 for actual and necessary expenses billed during
26 the Application Period. This amount includes \$5,625 in fees incurred during the Final Period.
27 Thus, this Application seeks final allowance of and incorporates by reference, BD&C’s first,
28 second and third interim applications for fees and expenses previously filed with this Court (the

1 “BD&C Prior Interim Applications”). The fees and expenses requested and each BD&C Prior
2 Interim Application and the amounts awarded are set forth in ¶¶ 11-13 below.

3 6. A summary of the interim fees and expenses requested and allowed in
4 connection with the Prior Interim Applications and the fees and expenses incurred during the
5 Final Period is annexed hereto as Exhibit A.

6 7. During the Application Period, BD&C professionals expended 4,096.70 hours,
7 including 28.25 hours during the Final Period. A schedule setting forth the number of hours
8 expended by each of BD&C’s professionals during the Final Period is annexed hereto as
9 Exhibit B. Schedules setting forth the number of hours expended by each BD&C professional
10 during the BD&C Prior Interim Applications is annexed hereto as Exhibit C.

11 8. The information contained in this Application is derived from the professionals
12 who worked on the case and from the time records maintained regularly and entered
13 contemporaneously with the rendition of services by each of BD&C’s professionals in the
14 ordinary course of practice. Annexed hereto as Exhibit D are copies of BD&C’s time records
15 for the Final Period, setting forth in narrative and detail the services performed on behalf of the
16 Committee, the dates upon which the services were rendered, the nature of the services, the
17 time spent and the identity of the professional who performed the service. Annexed hereto as
18 Exhibit E are BD&C’s time records for the BD&C Prior Interim Applications.

19 9. BD&C maintains records of the reasonable and necessary expenses which are
20 regularly billed to clients in the ordinary course of their business. BD&C did not incur any
21 expenses during the Final Period.

22 10. Annexed hereto as Exhibit F is a schedule of billable items of expense incurred
23 by BD&C during the BD&C Prior Interim Applications.

24 **PRIOR FEE APPLICATIONS**

25 11. On July 31, 1998, BD&C filed its first interim application seeking allowance
26 and payment of \$532,127.50 of interim compensation for professional services rendered and
27 \$72,100.19 for reimbursement of expenses incurred for the period March 19, 1998 through
28

1 May 31, 1998. At a hearing held on August 28, 1998, the Court approved BD&C's first
2 interim application in full.

3 12. On October 9, 1998, BD&C filed its second interim application seeking
4 allowance and payment of \$204,860.25 of interim compensation for professional services
5 rendered and \$29,727.69 for reimbursement of expenses incurred for the period June 1, 1998
6 through August 31, 1998, net of voluntary reductions of \$4,730.75 in fees and \$17,526.19 in
7 expenses. At a hearing held on November 5, 1998, the Court approved BD&C's second
8 interim application in full.

9 13. On December 23, 1999, BD&C filed its third interim application seeking
10 allowance and payment of \$34,650 of interim compensation for professional services rendered
11 and \$3,129.67 for reimbursement of expenses incurred for the period September 1, 1998
12 through November 30, 1998. At a hearing held on January 25, 1999, the Court approved
13 BD&C's third interim application in full.

14 SUMMARY OF SERVICES RENDERED

15 14. The Committee retained BD&C to perform professional services, including:

- 16 (a) advising the Committee with respect to the viability of the Debtors'
17 mining operations;
- 18 (b) providing technical, operational and financial analysis and
19 environmental assessment designed to assist the Committee in
20 developing a strategy for the optimization of the value of the property of
21 the Debtors' estates;
- 22 (c) reviewing the terms and conditions of any proposed sale of the Debtors'
23 operations or assets to allow the Committee to determine whether such
24 sales would be in the best interest of the Debtors' creditors;
- 25 (d) advising the Committee with respect to the feasibility of any plan of
26 reorganization proposed by the Debtors or any other party;
- 27
28

- 1 (e) reviewing the technical viability of the three remaining operating
2 properties in the U.S.: Diamond Hill, Florida Canyon, and Montana
3 Tunnels;
- 4 (f) evaluating the validity of the ore reserves at the operations;
- 5 (g) analyzing the validity of the technical base underpinning the operations;
- 6 (h) evaluating the extent of environmental liabilities at the operating and
7 closure properties;
- 8 (i) quantifying the risk inherent at the properties on both the engineered and
9 environmental basis;
- 10 (j) reviewing compensation issues relating to key personnel;
- 11 (k) participating in meetings held between Pegasus and state and federal
12 governmental agencies;
- 13 (l) reviewing Pegasus' exploration properties in other countries;
- 14 (m) reviewing investments by Pegasus in other companies;
- 15 (n) conducting discussions with Goldbelt Resources regarding valuation of
16 Pegasus holdings on behalf of the Committee;
- 17 (o) calculating the value which should be attained from the sale of the
18 Pullalli mining property in Chile;
- 19 (p) calculating the value to be expected from the sale of the Mt. Todd,
20 Australia property;
- 21 (q) reviewing issues relating to potential litigation against the engineering
22 contractors at Mt. Todd, Australia;
- 23 (r) conducting a market comparison of comparable public gold companies
24 for valuation analysis purposes;
- 25 (s) determining the potential values to be realized from the plan of
26 reorganization (and liquidation) for Pegasus Gold Corporation;
- 27 (t) preparing reports at the Committee's request with respect to any of the
28 foregoing; and