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1 SALLIE B. ARMSTRONG, ESQ.
Nevada Bar #001243
2 HARTMAN & ARMSTRONG, LTD.
427 West Plumb Lane
3 Reno, Nevada 89509
Tel: (702) 786-5400
4
5 FRANK C. CROWLEY, ESQ.
DONEY, CROWLEY, BLOOMQUIST & UDA, P.C.
Diamond Block Building, Suite 210
6 44 West 6th Avenue
Helena, Montana 59624
7 Tel: (406) 443-2211

8 ATTORNEYS FOR THE OFFICIAL
COMMITTEE OF UNSECURED CREDITORS

9
10 UNITED STATES BANKRUPTCY COURT
11 FOR THE DISTRICT OF NEVADA

12 In re:)
13) In Proceedings Under Chapter 11
14 PEGASUS GOLD CORPORATION, et al.,)
15) CASE NOS. BK-N-98-30088GWZ
16 Debtors.) through BK-N-98-30105GWZ
17) Jointly Administered
18)
19) Hearing Date: May 17, 1999
20) Hearing Time: 9:00 a.m.
21)

22 APPLICATION OF DONEY, CROWLEY, BLOOMQUIST & UDA, P.C.
23 PURSUANT TO SECTION 331 OF THE BANKRUPTCY CODE FOR (i)
24 INTERIM ALLOWANCE OF COMPENSATION FOR SERVICES RENDERED AND
25 REIMBURSEMENT OF EXPENSES INCURRED FROM DECEMBER 1, 1998
26 THROUGH FEBRUARY 5, 1999 AS SPECIAL AND LOCAL COUNSEL
27 FOR OFFICIAL COMMITTEE OF UNSECURED CREDITORS AND (ii)
28 FOR FINAL ALLOWANCE OF FEES AND EXPENSE INCURRED
DURING THE APPLICATION PERIOD

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

24 Doney, Crowley, Bloomquist & Uda, P.C. ("DC&B") as special and local counsel for
25 The Official Committee of Unsecured Creditors (the "Committee"), hereby makes its final
26 application (the "Application") for (i) allowance and payment of interim compensation for
27 professional services rendered and reimbursement for expenses incurred for the period from
28 December 1, 1998 through February 5, 1999 (the "Final Period") of \$8,410 and \$153.69,

Handwritten notes and calculations at the bottom of the page, including:
- "PPS" with arrows pointing to "2318" and "14420"
- "2193.50" and "2190500"
- "478.32" and "233.88"
- "9365.00" and "611.19"
- "8410" and "153.69"
- "1995.00" and "1477.08"
- "2191" and "191"
- "22084" and "1477.08"
- Circled numbers 1, 2, 3, 4, 5

1 respectively, and (ii) for final allowance of all fees and expenses incurred during the period
2 from August 19, 1998 through February 5, 1999 (the "Application Period"). By this
3 Application, DC&B seeks allowance and payment of \$19,965.50 in fees and \$998.76 in
4 expenses incurred during the Application Period inclusive of the interim amounts identified
5 above, and respectfully represents:

6 **BACKGROUND AND RETENTION OF DC&B**

7 1. Pegasus Gold Corporation ("PGC"), Pegasus Gold Inc., ("PGI"), Beal Mountain
8 Mining, Inc., ("Beal") Black Pine Mining, Inc. ("Black Pine"), Diamond Hill Mining, Inc.
9 ("Diamond Hill"), Florida Canyon Mining, Inc. ("Florida Canyon"), Pangea Explorations, Inc.,
10 Pangea Gold Corporation, Pangea International Holdings Corporation, Pangea Minerals, Inc.,
11 Pangea Resources Explorations, Inc., Pegasus Gold Finance Corporation, Pegasus Gold
12 Financing, L.L.C., Pegasus Gold International, Inc. ("PGII"), Pegasus Gold Montana Mining,
13 Inc., POV Corporation, Montana Tunnels Mining, Inc. ("Montana Tunnels") and Zortman
14 Mining, Inc. ("Zortman") (collectively, the "Debtors"), filed bankruptcy petitions under
15 Chapter 11 of the Bankruptcy Code with the Clerk of this Court on January 16, 1998 (the
16 "Petition Date"). By Order dated January 16, 1998, the Chapter 11 cases of Debtors were
17 administratively consolidated.

18 2. On February 2, 1998, the United States Trustee for the District of Nevada
19 appointed the Committee, the nine members of which come from at least three different
20 creditor constituencies with potential competing claims and interests: the Bank Group,
21 bondholders, and trade creditors.^{1/} On February 10, 1998, the Committee retained Mayer,
22 Brown & Platt ("MB&P") as its counsel, subject to Court approval. On February 25, 1998, the
23 Court entered an order authorizing the retention of MB&P as counsel to the Committee shortly
24 thereafter the law firm of Hartman & Armstrong, Ltd. as its local Nevada counsel. On August
25 21, 1998, the Committee filed an emergency ex parte application for an order approving the
26

27 ^{1/} The Committee members are ABN AMRO Bank, N.V., the Bank of New York (as
28 Indenture Trustee), Cashman Equipment, the CIT Group, Citibank, N.A., Credit Suisse First
Boston Corporation, First Chicago NBD Corp., Fleischli Oil Company, and Salomon Smith
Barney.

1 retention and employment of DC&B as special and local counsel for a limited period of time
2 (the "Application"). By order dated August 21, 1998, the Application was approved.

3 3. No agreement or understanding exists between DC&B and any other person for
4 a sharing of compensation received for services rendered in or in connection with Debtors'
5 Chapter 11 cases, nor shall DC&B share or agree to share the compensation paid or allowed
6 from Debtors' estates for such services with any other person. The foregoing constitutes the
7 statements of DC&B pursuant to section 504 of the Bankruptcy Code and Federal Rule of
8 Bankruptcy Procedure 2016(a).

9 **JURISDICTION OVER APPLICATION**

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

13 **DC&B'S ROLE AS SPECIAL AND LOCAL COUNSEL**

14 5. On August 10, 1998, this Court ordered that certain administrative proceedings
15 being conducted by the Montana Department of Environmental Quality (the "DEQ") with
16 respect to its June 17, 1998 reclamation bond increase revision (the "Administrative
17 Proceedings") as to Zortman Mining, Inc. ("Zortman") could continue, but that no enforcement
18 actions could be taken without further permission of the Bankruptcy Court. Although the DEQ
19 has heard from other interested parties in connection with the Administrative Proceedings, the
20 DEQ had not heard from Zortman's unsecured creditors who hold approximately \$96 million in
21 claims against Zortman according to a plan of reorganization and related disclosure statement
22 filed by Zortman and 13 of its affiliates on July 31, 1998. The Committee has a statutory duty
23 to represent the interests of Zortman's unsecured creditors by overseeing Zortman's Chapter 11
24 case and to maximize the return to its unsecured creditors on their claims. The DEQ's decision
25 regarding the cost of required reclamation and the amount of the reclamation bonds could have
26 a substantial impact on the recovery of those creditors on their claims and possibly on the
27 recovery of the creditors of Zortman's affiliates on their claims. Therefore, the Committee and
28 the constituency it represents could be adversely affected by the DEQ's decision. The

1 Committee thus determined that it should intervene as a party on behalf of Zortman's
2 unsecured creditors in the Administrative Proceedings, and that it should attend any hearings
3 and respond and present evidence and arguments on all issues involved in this action including
4 any subsequent appeals.

5 6. In order to intervene and otherwise participate in the Administrative
6 Proceedings, the Committee determined that it needed special and local counsel familiar with
7 administrative procedure and Montana environmental law. It was anticipated that special and
8 local counsel was needed to assist MB&P in representing the Committee's interest in the
9 Administrative Proceedings.

10 7. The Committee has chosen DC&B because DC&B is well skilled in the area of
11 administrative law and environmental law.

12 SUMMARY OF DC&B'S FEES AND EXPENSES

13 8. By this Application, DC&B seeks allowance and payment of final compensation
14 of \$19,965.50 for professional services rendered as the Committee's counsel and
15 reimbursement of \$998.76 for actual and necessary expenses incurred the Application Period.
16 This amount includes \$8,410 and 153.69 in fees and expenses, respectively, incurred during the
17 Final Period. Thus, this Application seeks final allowance of and incorporates by reference,
18 DC&B's first and second interim applications for fees and expenses previously filed with this
19 Court (the "DC&B Prior Interim Applications"). The fees and expenses requested in each
20 DC&B Prior Interim Application and the amount awarded are set forth in ¶¶ 14-15 below.

21 9. A summary of fees and expenses requested an allowance in connection with the
22 Prior Interim Applications is annexed hereto as Exhibit A.

23 10. During the Application Period, DC&B attorneys and paraprofessionals
24 expended a total of 196.90 hours. A schedule setting forth the number of hours expended by
25 each DC&B attorney and paraprofessional during the Final Period, their respective hourly rates
26 and the year each was admitted to practice is annexed hereto as Exhibit B. Schedules setting
27 forth the number of hours expended by each DC&B attorney and paraprofessional for the
28 Application Period is annexed hereto as Exhibit C.

Fees = 19,965.50
Exp = 998.76

1 11. The information contained in this Application is derived from the attorneys and
2 paraprofessionals who worked on the case and from the time records maintained regularly and
3 entered contemporaneously with the rendition of services by each of DC&B's attorneys and
4 paraprofessionals in the ordinary course of practice. Annexed hereto as Exhibit D are copies of
5 DC&B's time records for the Final Period, setting forth in narrative and detail the services
6 performed on behalf of the Committee, the dates upon which the services were rendered, the
7 nature of the services, the time spent and the identity of the attorney or paraprofessional who
8 performed the service. Annexed hereto as Exhibit E are DC&B's time records for the DC&B
9 Prior Interim Applications.

10 12. DC&B maintains records of the reasonable and necessary expenses that are
11 regularly billed to clients in the ordinary course of their respective legal practices. Annexed
12 hereto as Exhibit F are schedules of billable items of expense, by category and amount,
13 incurred by DC&B, in rendering services to the Committee during the Final Period. Annexed
14 hereto as Exhibit G is a schedule of billable items of expense incurred by DC&B during the
15 DC&B Prior Interim Applications.

16 13. Except as indicated otherwise in this Application, this Application complies in
17 all respects to the Guidelines and the United States Trustee Guidelines for Region 17 (the
18 "Region 17 Guidelines").

19 **PRIOR FEE APPLICATIONS**

20 14. On October 9, 1998, DC&B filed its first interim application seeking allowance
21 and payment of \$2,190.50 of interim compensation for professional services rendered and
22 \$233.88 for reimbursement of expenses incurred for the period August 19, 1998 through
23 August 31, 1998. At a hearing held on November 5, 1998, the Court approved DC&B's first
24 interim application in full.

25 15. On December 23, 1998, DC&B filed its second interim application seeking
26 allowance and payment of \$9,365 of interim compensation for professional services rendered
27 and \$611.19 for reimbursement of expenses incurred for the period September 1, 1998 through
28