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UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF ALASKA

In Re:	)	
	)	
AURORA GAS, LLC,	)	Case No. A-16-00130
	)	Chapter 11
	)	
Debtor.	)	
_____	)	

**MOTION FOR AUTHORITY TO ASSUME AND ASSIGN CERTAIN MINERAL  
LEASES AND SELL RELATED ASSETS FREE AND CLEAR OF LIENS**

Aurora Gas, LLC, an Alaska limited liability company, Debtor and Debtor in Possession, moves for an order authorizing it to assume and assign its oil and gas leases in the Nicolai Creek Unit (“NCU”), to assume and assign Debtor’s sale contracts with Tesoro, Homer Electric Association and Helena Energy and sell related equipment. The intended assignee/buyer is Aurora Exploration, LLC (“AE”); the terms are set out in the Second Offer from Aurora Exploration, LLC filed at Docket 244, supplemented by the attachment to Aurora Exploration’s status report filed at Docket 254 and the Response to Debtor’s Counter-Offer at Docket 262. A list of the assigned leases is attached as Exhibit A. A list of the equipment to be sold is attached as Exhibit B. Although AE is the expected buyer/assignee, this motion also seeks approval, without additional notice, to enter into a substantially similar but better

transaction with any buyer/assignee who submits a superior qualifying offer at or before the conclusion of the scheduled hearing on this motion, now set for August 21, 2017 at 2:00 p.m. The effective date is September 1, 2017 with a closing on September 18, 2017 or on further order of the Bankruptcy Court provided that the State of Alaska has approved AE's application for transfer.

In substance, AE proposes to pay the debtor \$100,000 in cash at closing. AE will indemnify the Debtor for any future well closure and abandonment liabilities, and maintenance costs for the assigned leases after the effective date provided AE receives the revenue from the assigned leases after the effective date. Except for well closure and abandonment liabilities, AE assumes no liability for pre-petition liabilities related to the assigned leases including but not limited to royalty payments, maintenance costs and operating expenses. The sales are "as is" and "where is" without warranties of condition or merchantability of any kind. The assignment of the leases is subject to approval of the State of Alaska, which approval will require the assignee to meet the State's requirements as to bonding and qualifications to operate the leases. Following approval of this transaction by this Court, and pending State approval, the Debtor will continue to operate the subject leases and equipment, receive all revenue therefrom, and be responsible for the related operating expenses. Debtor does not believe that it is in default under the contracts and leases to be assigned, but any necessary cures of default or adequate assurances of future performance shall be provided by AE or any other approval buyer/assignee.

The assignments and sales, with Court approval, are authorized by 11 USC §§ 363 and 365.

## Discussion

Debtor's management has determined that Debtor cannot be reorganized as an operating company without significant capital investment, either from its existing or a new owner. Such investment has not been forthcoming despite extensive efforts to attract buyers. Accordingly, Debtor's assets must be monetized to the extent possible. Debtor is the lessee of several leases from the State of Alaska, and of others from Cook Inlet Region, Inc. ("CIRI"). No prospective buyer has shown interest in the CIRI leases. The Nicolai Creek Unit, which consists of leases from the State of Alaska, has provided the bulk of Debtor's recent production and has attracted interest from two possible buyers. The Debtor has determined to accept the proposal from AE as at present it is superior to the unsigned tentative proposal from the other party, Escopeta Oil & Gas.

The cash offer is far less than the amount the Debtor anticipated it could receive for a sale of its interest in NCU and related equipment, which is disappointing, but as the Debtor's current financial condition is declining it is not possible to continue operations much longer, and this sale is a better alternative than rejecting the NCU leases and terminating operations completely.

The Debtor does not believe there are any liens or encumbrances on the assets being sold, but to resolve any latent claims the assets should be transferred free and clear of liens of any party given notice of this sale.

Accordingly, in the absence of a better offer for NCU or a proposal to buy NCU along with other assets, the Debtor requests approval of the sale and assignment described herein.

Debtor also requests a specific finding that AE is a good faith purchaser of the sold assets and a good faith assignee of the NCU leases.

DATED this 10th day of August, 2017.

DAVID H BUNDY, P.C.  
Attorney for Debtor

/s/ David H. Bundy  
David H. Bundy

### **Certificate of Service**

The undersigned hereby certifies that on this 10th day of August, 2017, a true and correct copy of the foregoing document was served on the following by ECF:

- U. S. Trustee
- Erik LeRoy
- Bruce Moore
- Robert Crowther
- Michael Mills
- Cabot Christianson
- Terry Draeger

/s/ David H. Bundy  
David H. Bundy

**Exhibit A**

**LIST OF ASSIGNED LEASES**

**NICOLAI CREEK UNIT**

**Lease No: ADL-17585\***

Lessor: State of Alaska, Department of Natural Resources

**Lease No: ADL-17598\***

Lessor: State of Alaska, Department of Natural Resources

**Lease No: ADL-63279\***

Lessor: State of Alaska, Department of Natural Resources

**Lease No: ADL-391471\***

Lessor: State of Alaska, Department of Natural Resources

**Lease No: ADL-391472\***

Lessor: State of Alaska, Department of Natural Resources

\*Including all permits, right-of-ways, easements, pipelines, and other legal rights necessary for the operation and production from these leases.

**EQUIPMENT TO BE SOLD**

**NICOLAI CREEK UNIT**

<b>EQUIPMENT DESCRIPTION</b>		<b>YEAR</b>	<b>COMMENTS</b>
<b><u>VEHICLES</u></b>			
1	Chevrolet Duramax Pickup	HD2500EC 2008	Duramax engine
1	Chevrolet Duramax Pickup	HD2500CC 2007	Duramax engine
<b><u>WELL TEST*</u></b>			
1	15000-psi 5-valve choke manifold	2005	
1 lot	1502 XXH Hardline (140' -2", 150' - 3")	2005	w/ ells, swivel joints, and pups
	3" X 5000 psi valve, 3" X 2" 1502 X-O	2010	
	8' X 30" 1440 psi WP 2-phase Separator w/ 4" orifice		
1	meter	2005	Skid mounted w/ test tank
1	TotalFlow EFM	2010	
			w/ concrete anchors, propane
1	15 MMCFPD 50' Flare Stack	2005	ignitor
1	75-bbl Test Tank	2005	skid mounted
<b><u>RIG SUPPORT EQUIPMENT*</u></b>			
<u>Well Control</u>			
1	MCM "Swaco-type" 2-9/16" flanged 10,000# Hydraulic Choke w/ Control Panel & 2-9/16" 10M X 3-1/2" 5M DDSA (2011)		
<u>Fueling System</u>			
		2004	
1	10,000 gal DW tank w/ pump		Certified
1	5000 gal tank for transport		
1	250-gal Day Tank		
1	Mud System (3 pits, shaker, de-gasser, centrifugal pumps, mud cleaner, trip tank,		Covered, w/ agitators, mixing hopper

**EQUIPMENT TO BE SOLD**

**NICOLAI CREEK UNIT**

Tanks

- |   |   |                      |
|---|---|----------------------|
| 2 | Cuttings Tank                                     | 1-50 bbl, 1- 100 bbl |
| 4 | 500-bbl Tiger Tanks                               | Certified            |
| 1 | 400-bbl upright skid-mounted tank (at Lone Creek) |                      |

12-inch Diverter System

2006

- |     |  |
|-----|--|
| 1   | 30" 13-5/8" X 5M Diverter Cross w/ 12" ANSI 150 outlet     |
| 1   | 12" hydraulic Knife Valve                                  |
| 100 | 12" Dia X 0.375" wall Diverter Pipe w/ ANSI 150 RF flanges |

Misc Rig Support Package

- |       |   |                              |
|-------|---|------------------------------|
| 1     | Water Tank w/ Pump                                  |                              |
| 1     | & Dog House   |                              |
| 1     | 40' Office Unit                                     | Connex, insulated,           |
| 1     | 40' Sleeper/restroom Unit                           | 2 bunk room, restroom        |
| 1     | 20' Parts Connex                                    | shelves, bench, pup rack     |
| 2     | Light Towers (diesel)                               |                              |
| 20    | 8' X 20' Rig Mats                                   | (lot) also misc smaller ones |
| 1000' | 10-20' 10"X10" Timbers (lot for rig)                |                              |
| 1     | Satellite communication system (internet and phone) |                              |
| 1     | Sludge Pump   |                              |
| 4     | Pipe Racks  | (misc)                       |
| 1     | Oil Spill Contingency Plan ("C-Plan")               |                              |

**\*The equipment to be sold includes all related equipment necessary for the operation of the described items to function for their intended purpose, even though not specifically listed in**

**Exhibit B.**