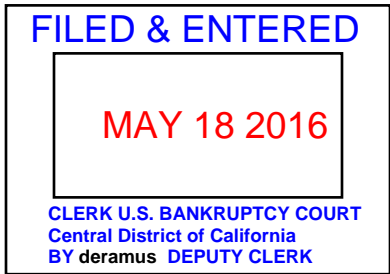


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9 **UNITED STATES BANKRUPTCY COURT**
10 **CENTRAL DISTRICT OF CALIFORNIA**
11 **SANTA ANA DIVISION**

12 In re:) Case No. 8:06-bk-11175-TA
13 ENERGY DEVELOPMENT)
14 CORPORATION,) Chapter 11
15 Debtor.) **ORDER ESTABLISHING BIDDING**
16) **PROCEDURES FOR SALE OF DEBTOR'S**
17) **ASSETS, AND SETTING DATE FOR**
18) **AUCTION AND SALE HEARING**
19)
20) **Date: May 6, 2016**
21) **Time: 10:00 a.m.**
22) **Place: Courtroom 5B**
23) **411 West Fourth Street**
24) **Santa Ana, CA 92701**
25)
26)
27)
28)

1 A continued hearing was held on May 6, 2016, at 10:00 a.m., in Courtroom 5B, for this
2 Court to consider approval of the Motion of Trustee for Order Establishing Bid Procedures for
3 Sale of Debtor's Assets, Including Approval of Bid Protection and Use of Deposit to Fund
4 Operations, and Granting Related Relief (the "Motion"), filed as Docket No. 828 by John M.
5 Wolfe, the duly appointed Chapter 11 Trustee ("Trustee") for the bankruptcy estates of Energy
6 Development Corporation ("EDC") and Stephen T. Harris ("Harris" and collectively the
7 "Debtors"). Appearances were made as set forth on the record of this Court.
8

9 This Court having considered the Motion and pleadings filed in support of and in response
10 to the Motion prior to the initial hearing on April 21, 2016, including the Opposition and related
11 papers filed by Powerdrive Oil and Gas Company LLC ("Powerdrive"), granted partial relief and
12 directed further proceedings in its Order entered April 28, 2016 [Docket No. 842] (the "April 28
13 Order"). Having considered the additional pleadings filed by Blackstone Oil & Gas Company
14 and by Powerdrive for the May 6, 2016, hearing, and having considered the statements,
15 arguments and representations of counsel and of parties made at the hearings and the entire
16 record, and good cause appearing,
17


18 **IT IS HEREBY ORDERED:**

- 19 1. The Motion is granted as set forth in this Order and the April 28 Order.
20
21 2. For reasons discussed in the Court's tentative ruling issued for the May 6, 2016,
22 hearing, for purposes of bidding the value of the total consideration offered by
23 Pacifoco, Inc., in the Asset Purchase Agreement attached to the Motion as Exhibit
24 "A," as modified by the Addendum to Asset Purchase Agreement to be substantially in
25 the form attached as Exhibit "B" to the Declaration of Mark S. Dodge In Support of
26 Pacifoco, Inc.'s Bid To Acquire Assets Of South Coast Oil Corporation and Energy
27 Development Corporation [Docket No. 843], is established as \$1,465,000.
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3. Accordingly, the initial overbid for all assets included in the sale will be \$1,565,000, which each incremental bid thereafter to be at least \$50,000.
4. Procedures for the auction sale and bidding are approved in the form attached hereto as Exhibit “1” (the “Sale Procedures”).
5. A hearing on the proposed sale will be held on June 8, 2016, at 10:00 a.m., at which time the auction bidding will take place in open court in accord with the approved Sale Procedures.

Date: May 18, 2016



Theodor C. Albert
United States Bankruptcy Judge

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EXHIBIT "1"

1 Sale Procedures: In re: South Coast Oil Corporation (“SCOC”), In re Energy Development
2 Corporation (“EDC”) and In re Stephen T. Harris (“Harris”):

3 1. The “Purchased Assets,” consisting of substantially all of the assets of SCOC,
4 EDC and specified assets of Harris, as more specifically described in the Asset Purchase
5 Agreement (the “Lead Bidder APA”) between James J. Joseph, Chapter 11 Trustee for South
6 Coast Oil Corporation, Substantively Consolidated with South Coast Corporation (the “SCOC
7 Trustee”), John M. Wolfe as Chapter 11 Trustee for EDC and Harris (the “EDC/Harris Trustee”
8 and collectively with the SCOC Trustee, the “Sellers”), and Pacifoco, Inc. (the “Lead Bidder”),
9 excluding those assets which are designated as “Excluded Assets” in the Lead Bidder APA, are
10 available to be purchased free and clear of all liens, claims and interests, other than Permitted
11 Encumbrances, as defined in the Lead Bidder APA. The Trustees shall continue to seek and to
12 respond to interested purchasers based on information previously assembled, including an
13 electronic “data room” which contains information about the Purchased Assets. The Trustees will
14 share this information, and such other information as may reasonably be requested, with any
15 prospective buyer who executes a confidentiality agreement and who demonstrates to the Trustee
16 that the prospective buyer has the reasonable financial ability to participate in an auction sale
17 process within the required time frame.

18 2. The actual auction sale (the “Auction”) will take place at the hearing on approval
19 of the sale, which is scheduled for June 8, 2016 commencing at 10:00 a.m., before the Honorable
20 Theodore C. Albert, United States Bankruptcy Judge, in Courtroom 5B, 411 West Fourth Street,
21 Santa Ana, CA 92701-4593.

22 3. In order to be eligible to participate as a bidder at the Auction as a “Qualified
23 Bidder,” a prospective bidder must (a) deliver to the SCOC Trustee funds in an amount equal to
24 the Lead Bidder SCOC Good Faith Deposit of \$125,000, and to the EDC/Harris Trustee funds in
25 an amount equal to the Lead Bidder EDC Good Faith Deposit of \$100,000, no less than seven (7)
26 days prior to the Auction, which funds (the “Bid Deposits”) shall be held in trust by the SCOC
27 Trustee and the EDC Trustee, respectively in the same fashion as described in the Lead Bidder
28 APA; and (b) otherwise demonstrate to the satisfaction of the Bankruptcy Court that they qualify
as good faith purchasers within the meaning of Section 363 (m) of the Bankruptcy Code and are
capable of closing the sale in a timely manner. The Lead Bidder and its attorneys shall be
immediately notified in writing in the event that a third party becomes a Qualified Bidder.

4. The amount of each of the Bid Deposits will be non-refundable in favor of the
bankruptcy estates of SCOC and EDC if the bidder is deemed to be the winning bidder at the
auction sale, has its bid (and the asset sale) approved by the Bankruptcy Court, and fails to close
its purchase of the Debtor’s assets in a timely manner and in accord with the Lead Bidder APA, as
it may be modified in connection with any winning bid.

5. Unless any Qualified Bidder elects to propose modifications to the Lead Bidder APA,
a Qualified Bidder will be deemed to have submitted its bid based on the terms of the Lead
Bidder APA, and to have signed the Lead Bidder APA, subject to modification of the pricing
terms as per the bids submitted by such Qualified Bidder at the Auction, and to any provisions of
these Bidding Procedures in conflict with the Lead Bidder APA. To the extent that any Qualified
Bidder elects to propose modifications to the Lead Bidder APA, such Qualified Bidder shall

1 deliver to counsel for the SCOC Trustee and counsel for the EDC/Harris Trustee not less than
2 seven (7) business days prior to the Auction, a written markup of the Lead Bidder APA showing
3 any proposed changes the buyer has to the Lead Bidder APA, which can be obtained from counsel
4 for the SCOC Trustee or counsel for the EDC/Harris Trustee. The submitted APA must not
5 contain any contingencies to the validity, effectiveness and/or binding nature of the offer,
6 including without limitation, contingencies for financing, due diligence or inspection.

7
8 6. If more than one qualified bidder complies with the requirements above and
9 appears at the auction sale, the Court will randomly assign bidding numbers to the bidders. The
10 following is how the bidding will work by example if there are three qualified bidders at the
11 auction sale. The bidder who is assigned Bidder #1 will be required to submit the first bid, unless
12 the Lead Bidder is assigned Bidder #1, in which case the bidder who is assigned Bidding #2 will
13 be required to submit the first bid. Any initial overbid must be in the aggregate amount of the
14 SCOC Purchase Price (\$365,000) plus the EDC Total Cash Payment (\$1,100,000) plus no less
15 than One Hundred Thousand Dollars (\$100,000) (the "Minimum Overbid"), which will be
16 allocated between the Estates as set forth in the Lead Bidder APA, for a total initial overbid of
17 \$1,565,000. Once a bid equal to or greater than the Minimum Overbid is received, that bid will
18 be deemed a qualified bid and the bidding will then proceed to the bidder with the next sequential
19 number. Additional bid increments shall be identified as applicable to either the SCOC Purchased
20 Assets or the EDC Purchased Assets, and be in the amount of at least \$50,000. If the next bidder
21 fails to submit a complying bid it will be eliminated from the auction sale and will not be
22 permitted back into the auction thereafter. The bidding will then turn to the bidders with the next
23 sequential numbers and then back to bidder #1 and continue (with the same bidding increment
24 requirements) until all bidders but one have dropped out of the auction sale at which point the
25 bidder who made the highest bid will be deemed the highest bidder. The bidder who submitted
26 the second highest bid at the auction sale will be deemed to constitute the winning backup bidder.
27 The Lead Bidder shall be provided the opportunity to amend, supplement or otherwise modify its
28 offer in response to any overbid.

18 7. The sale of assets to the winning bidder (or the winning backup bidder if the
19 winning bidder fails to close its purchase in a timely manner) shall be made on an "AS IS
20 WHERE IS" basis with no representations or warranties other than those representations and
21 warranties which are specifically provided for in the asset purchase agreement submitted by the
22 winning bidder (or the winning backup bidder if the winning bidder fails to close its purchase in a
23 timely manner).

22 8. The date and time of the hearing for the Bankruptcy Court to consider approval of
23 the sale of assets to the winning bidder at the auction sale (as well as any request by the Sellers to
24 assume and assign to the winning bidder any of the Sellers' executory contracts and unexpired
25 leases that the winning bidder wishes to have assigned to it) will be June 8, 2016 at 10:00 a.m.
26 Subject only to entry by the Bankruptcy Court of the sale order, the winning bidder will have until
27 the date which is fifteen (15) days after the date of entry of the order approving the sale to
28 consummate the sale. If the winning bidder fails to do so, the winning bidder will be deemed to
have forfeited the non-refundable portion of its Bid Deposits unless the Bankruptcy Court or the
Trustees agree to provide the winning bidder an extension of time to close. If the winning bidder
fails to close and forfeits the non-refundable portion of its Bid Deposit, the winning back up
bidder will be notified and will then have five days to close its purchase of the Debtor's assets or
will be deemed to have forfeited its Bid Deposit unless the Bankruptcy Court or the Trustees

1 agree to provide the winning backup bidder an extension of time to close. The Bid Deposits of
2 the backup bidder will be retained by the Sellers following the conclusion of the auction sale and
3 will be returned to the backup bidder on the closing by the winning bidder of its purchase of the
Purchased Assets.

4 9. In the event that the Lead Bidder is not the winning bidder, the Good Faith
5 Deposits of the Lead Bidder will be returned to the Lead Bidder as provided in the Lead Bidder
6 APA; provided that, if there is no closing of a sale by EDC, the Lead Bidder shall have an
allowed administrative claim in the EDC Chapter 11 Case for any portion of the EDC Good Faith
Deposit used by the EDC/Harris Trustee as provided in the Lead Bidder APA.

7 10. All Qualified Bidders shall be deemed to have consented to the core jurisdiction of the
8 Bankruptcy Court and to have waived any right to a jury trial in connection with any disputes
9 relating to the Auction and/or the sale. All asset purchase agreements shall be governed by and
10 construed in accordance with the laws of the State of California. All Qualified Bidders shall be
bound by their bids until conclusion of the Auction.

11 11. The bidding procedures set forth herein (other than those provisions governing the
12 Breakup Fee and bid increments) may be modified by the Bankruptcy Court at the auction.
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