

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF LOUISIANA
LAFAYETTE DIVISION**

IN RE:	§	Case No. 17-50705
	§	
ROOSTER ENERGY, L.L.C. et al.,	§	Chapter 11
	§	
Debtors.	§	
	§	

**USSIC’S OBJECTION TO DISCLOSURE STATEMENT FOR JOINT PLAN OF
REORGANIZATION OF COCHON PROPERTIES, LLC AND MORRISON WELL
SERVICES, LLC PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE**

U.S. Specialty Insurance Company (“USSIC”) files this Objection to the *Disclosure Statement for Joint Plan of Reorganization of Cochon Properties, LLC and Morrison Well Services, LLC Pursuant to Chapter 11 of the Bankruptcy Code* (“Cochon Disclosure Statement”) (D.I. 498) as follows:

I. BACKGROUND

1. Debtors are engaged in oil and gas operations in the outer continental shelf. In order to meet their financial assurance obligations to BOEM, Debtors have placed a number of performance bonds issued by USSIC. A general description of Debtors’ bonds is set forth in Debtors’ first day declaration. (D.I. 7 ¶ 50). USSIC provides approximately \$11 million in bonding to Debtors.

2. As of the Petition Date, Debtors owed USSIC approximately \$116,000 in premiums. On a post-petition basis, additional premium amounts for Debtors’ bonds have accrued and remain unpaid. Debtors’ bonds are central to their on-going operations and compliance efforts, and these unpaid premium amounts constitute administrative expenses.

3. On October 12, 2017, Angelo, Gordon Energy Servicer, LLC filed the Cochon Disclosure Statement in support of a plan for Cochon Properties, LLC and Morrison Well Services, LLC (the “Cochon Debtors”). The Disclosure Statement explains that “Bonding Claims” will be treated in Class 4 of the Plan. If a bonding claimant votes for the Plan, the Disclosure Statement explains that the bonds will “remain in effect,” that premiums will be paid in the ordinary course, and that the holder will receive a pro rata share of a cash payment “in full and final satisfaction of its Bonding Claim.” (D.I. 498 at 5). If USSIC votes to reject, the bonds “will be replaced in the ordinary course of business,” and USSIC will receive “a Cash payment in the amount such Holder would receive in a chapter 7 liquidation, as determined by a finding by the Bankruptcy Court in full and final satisfaction of its Bonding Claim.” Angelo Gordon does not disclose the amounts that would be paid to USSIC under either approach.

II. OBJECTION

4. USSIC continues to review both plans and disclosure statements and reserves all rights to oppose confirmation on any ground. However, at the current time, USSIC objects to the Cochon Disclosure Statement due to the fact it fails to provide “adequate information” as required by 11 U.S.C. § 1125. The Cochon Disclosure Statement contains at least the following deficiencies:

- a. The Cochon Disclosure Statement describes two options for USSIC—either vote in favor of the Plan and keep the bonds in place or vote against the plan for the bonds to be replaced “in the ordinary course.” If USSIC votes in favor of the plan, it will apparently receive a cash payment of some completely unidentified amount. Angelo Gordon should identify that amount or the basis for determining what that amount will be. The Cochon Disclosure Statement is also vague regarding what agreements will be entered if USSIC votes “yes.” Angelo Gordon discloses that the Reorganized Debtors

will enter new indemnity agreements in a form acceptable to them while existing indemnity obligations will be “discharged.” (D.I. 498 at 29). The final form these agreements will take is unclear.

b. The Cochon Plan’s class structure creates four separate classes of unsecured creditors with disparate treatment. Moreover, the Angelo Gordon not explain what funds may be available for unsecured claims USSIC has related to the cancellation of certain indemnity obligations. The Cochon Disclosure Statement should clarify the basis for this disparate treatment, which appears to violate the Bankruptcy Code at this time.

c. The Cochon Plan does not properly disclosure how it will handle the payment of administrative expenses, including providing placement bonds if necessary.

d. The “vote no” option is also problematic because the Cochon Disclosure Statement indicates the bonds would be replaced “in the ordinary course.” This option is unacceptable because it creates a gap period where Cochon Debtors’ liabilities are apparently stripped but the bonds remain in place. Any replacement should happen on or before the effective date of the Plan. Moreover, the payment of some amount based on a chapter 7 liquidation analysis to be determined by the Court makes little sense and potentially impairs administrative claims USSIC will have for providing bonding post-petition.

e. The Cochon Disclosure Statement broadly describes an exit facility, but Angelo Gordon does not explain how they plan to satisfy regulatory requirements and provided for future decommissioning and other environmental obligations. *See Midlantic National Bank vs. New Jersey Department of Environmental Protection*, 474 U.S. 494 (1986). This information is essential for creditors to evaluate whether a plan will be followed quickly by a liquidation or further need for reorganization. Moreover, the Cochon

Debtors' environmental claims could present substantial administrative claim burdens, and it is unclear how the Rooster Debtors can satisfy those claims. *See See In re H.L.S. Energy Co.*, 151 F.3d 434, 438 (5th Cir. 1998).

5. USSIC anticipates discussing and hopefully resolving these issues with Debtors and other interested parties. However, USSIC submits this objection out of an abundance of caution. USSIC expressly reserves all rights including all rights associated with its bonds, indemnity agreements, guaranty agreements, and any pending demands for collateral.

WHEREFORE USSIC prays the Court sustain these objections and grant such other and further relief as may be just and proper.

Dated: November 13, 2017

Respectfully submitted,

/s/ Bradley C. Knapp

Bradley C. Knapp (La Bar No. 35867)

LOCKE LORD, LLP

601 Poydras Street, Suite 2660

New Orleans, Louisiana 70130

Telephone: (504) 558-5210

Facsimile: (504) 910-6847

rkuebel@lockelord.com

bknapp@lockelord.com

-and-

Philip G. Eisenberg (La Bar No. 14250)

LOCKE LORD, LLP

2800 JP Morgan Chase Tower

600 Travis Street

Houston, Texas 77002

Telephone: (713) 226-1200

Facsimile: (713) 223-3717

Email: peisenberg@lockelord.com

**COUNSEL FOR UNITED STATES
SPECIALTY INSURANCE COMPANY**