

**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 CHAPTER 11
ROOSTER PLAN OF ROOSTER ENERGY, LLC, ROOSTER PETROLEUM, LLC,
AND ROOSTER OIL & GAS, LLC, DATED AS OF OCTOBER 23, 2017**

U.S. Specialty Insurance Company (“USSIC”) files this Objection to the *Disclosure Statement for Joint Chapter 11 Rooster Plan of Rooster Energy, LLC, Rooster Petroleum, LLC, and Rooster Oil & Gas, LLC, dated as of October 23, 2017* (“Rooster Disclosure Statement”) (D.I. 523) 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 23, 2017, Debtors filed the Rooster Disclosure Statement in support of a plan for Rooster Energy, LLC, Rooster Petroleum, LLC, and Rooster Oil & Gas, LLC (the “Rooster Debtors”). The Disclosure Statement explains that the USSIC Bond Claims are given separate treatment in Class 8. The Disclosure Statement indicates that the Rooster Debtors will assume the “USSIC Bonds Existing Agreements, as the same may be modified in the USSIC Bonds New Agreements.” The Disclosure Statement does not give any explanation as to what the “USSIC Bonds New Agreements” might be or whether they will ever be entered.

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 Rooster Disclosure Statement due to the fact it fails to provide “adequate information” as required by 11 U.S.C. § 1125. The Rooster Disclosure Statement contains at least the following deficiencies:

- a. The Rooster Debtors fail to provide adequate information regarding the handling of the USSIC bonds by incorporating the concept of “USSIC Bonds New Agreements.” USSIC continues discussion with counsel for Rooster and Morrison regarding the bonds and bond collateral issues, but, at this point, USSIC does not understand what the Rooster Debtors contemplate by this definition and plan provision.
- b. This deficiency is further significant because surety bonds are not executory contracts and cannot be transferred. *See XL Specialty Ins. Co. v. James River Coal Co. (In re James River Coal Co.)*, No. 06-0411, 2006 WL 2548456, at *4 (M.D. Tenn. Aug. 31, 2006); *In re All Phase Electrical Contracting, Inc.*, 409 B.R. 272, 275 (Bankr. D. Conn. 2009). In theory the Rooster Debtors seek to sidestep this problem through the “USSIC Bonds New Agreements,” but the current disclosure is unclear on that point.

c. The Rooster Debtors provide for payment of administrative claims but give no disclosure as to the amounts of claims covered or any indication that they can satisfy those claims in full. USSIC anticipates submitting an administrative claim for unpaid bond premiums. USSIC cannot tell from the Disclosure Statement whether these premiums will be satisfied.

d. The Rooster Debtors provide no disclosure regarding their decommissioning obligations and plan for addressing those liabilities. The Rooster Debtors should provide disclosure regarding their decommissioning plans to demonstrate they can comply with their 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 Rooster Debtors' environmental claims could present substantial administrative claim burdens, and it is unclear how the Rooster Debtors can satisfy those claims. *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

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