

UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF LOUISIANA
LAFAYETTE DIVISION

In re:

Rooster Energy, L.L.C., et al.¹
(Debtors)

Case No. 17-50705
Chapter 11
(Jointly Administered)

Objection of Acting United States Trustee to Disclosure Statement for Joint Plan of
Reorganization of Rooster Energy, L.L.C.; Rooster Petroleum, LLC; and
Rooster Oil & Gas, LLC Pursuant to Chapter 11 of the Bankruptcy Code

COMES NOW Henry G. Hobbs, Jr., Acting United States Trustee for Region 5
(hereinafter "UST"), through undersigned counsel, and respectfully submits this Objection to the
Disclosure Statement for Joint Plan of Reorganization of Rooster Energy, L.L.C.; Rooster
Petroleum, LLC; and Rooster Oil & Gas, LLC, Pursuant to Chapter 11 of the Bankruptcy Code
filed by the Debtors and Corn Meal, LLC ("Disclosure Statement") ECF #523.

1.

The releases, discharge, exculpations and injunctions provided to Released Parties in the
Plan exceed the limitations placed on such provisions under binding Fifth Circuit precedent set
forth in *New York Trust Co., NA v. Official Uns. Cred. Comm. (In re Pacific Lumber Co.)* 584
F.3d 229 (5th Cir. 2009.) *Pacific Lumber* broadly prohibits non-debtor releases and exculpations,
with the limited exception of unsecured creditors' committees. It also references Fifth Circuit
cases that foreclose non-consensual non-debtor permanent injunctions and notes that "discharge
of a debt of the debtor does not affect the liability of any other entity on . . . such debt." 11

U.S.C. §524(e).

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal
tax identification number, are Rooster Energy, L.L.C. (7323); Rooster Energy Ltd. (9700);
Rooster Petroleum, LLC (8665); Rooster Oil & Gas, LLC (8968); Probe Resources US Ltd.
(0456); Cochon Properties, LLC (1694); and Morrison Well Services, LLC (9531). The
Debtors' service address is 16285 Park Ten Place, Suite 120, Houston, TX 77084.

2.

While scope of the releases, discharge, exculpations and injunctions provided to Released Parties in the Plan is a plan confirmation issue, the Disclosure Statement does not provide sufficient information for creditors to make an informed decision about whether to vote to accept or reject the Plan as required by 11 U.S.C. §1125(a.)

3.

The Plan #524 definitions for “Released Parties” and “Related Persons” are as follows:

“Released Parties” means (a) the Debtors and the Reorganized Debtors, (b) the Administrative Agent, the Note Holders, and their respective *Related Persons*, and (c) any officer, manager or employee of the Debtors acting in such capacity who is retained or employed by the Reorganized Debtors after the Effective Date; and

“Related Persons” means, with respect to any Person, such Person’s predecessors, successors, assigns (whether by operation of law or otherwise) and present and former Affiliates, equity owners, and subsidiaries, and each of their respective current and former officers, directors, principals, employees, shareholders, members (including ex officio members), managers, managed accounts or funds, management companies, fund advisors, advisory board members, partners, agents, financial advisors, attorneys, accountants, advisors, investment bankers, investment advisors, consultants, representatives, and other professionals, including such Related Persons’ respective heirs, executors, estates, servants, and nominees; provided, however, that no insurer of any Debtor shall constitute a Related Person.

4.

If the Plan Proponent is seeking to include more expansive provisions for Released Parties through a consensual plan, the Disclosure Statement needs to clearly and plainly describe

the basis for, consideration given, and scope of the release, discharge, exculpation or injunction provisions, so they are understandable by the creditors being asked to vote to grant relief much broader than that provided by the Bankruptcy Code and Fifth Circuit precedent.

5.

Page 53* of the Disclosure Statement says the Confirmation Order will constitute the Bankruptcy Court's finding that each release is: (i) in exchange for the good and valuable consideration provided by the Released Parties, (ii) a good faith settlement and compromise of the Claims released, and (iii) in the best interests of the Rooster Debtors, all holders of claims, and equity interests. To allow the Bankruptcy Court to make this finding, the Disclosure Statement should include specific information on the consideration provided by each of the Released Parties, the basis for the claim(s) that are being settled and released as part of the settlement and compromise with each Released Party, and how each is in the best interest of the debtors, creditors, and equity interests. (*Page number references are to the pdf page numbers, not the page numbers on the Disclosure Statement.)

6.

The UST also objects to the Disclosure Statement for the following reasons:

- a) p. 16 states that unless otherwise provided in the Rooster Plan, on the date that is five days before the deadline to object to Confirmation, the Rooster Debtors intend to file the Rooster Plan Supplements. On page 73 there is a list of plan supplements. It is not clear which supplements can be filed up to within 5 days of the voting deadline, instead of being mailed to the creditors with the Plan. It is clear that the Plan Supplements contain Plan critical information such as a list of the "Selected Excluded Assets" and the "Included Assets" that identify the disposition of assets.

- b) p. 54 - Release by Claim Holders – states that claim holders who are entitled to vote, but do not vote, are deemed to have granted the releases. Creditor consent to release/ discharge/ exculpation provisions broader than those permitted by the Bankruptcy Code and the Fifth Circuit cases should require an affirmative act evidencing consent.

WHEREFORE, for the foregoing reasons, and any others that may be advanced at a hearing on this matter, the UST objects to approval of the Disclosure Statement.

Respectfully submitted,

HENRY G. HOBBS, JR.
Acting United States Trustee
Region 5, Judicial Districts
of Louisiana and Mississippi

By: /s/ Gail Bowen McCulloch
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