



*of Mailing and Service of the Confirmation Hearing Notice and the Solicitation Package, (III) Procedures for Voting and Tabulation of Ballots, and (IV) Forms of Ballots [ECF 538] (the “MWS/Cochon Disclosure Statement Motion” and together with the Rooster Disclosure Statement, the “Disclosure Statement Motions”)<sup>2</sup>. In support of the Objection, the Rooster Committee respectfully represents as follows:*

### **OBJECTION**

1. The Rooster Committee supports the Debtors’ efforts to emerge quickly from chapter 11 through a reorganization of all of the Debtors. Over the last week, the Rooster Committee has been engaged in discussions with the Debtors, Chet Morrison and his related entities, and the Administrative Agent in connection with a resolution of the Rooster Committee’s objections to the Rooster Disclosure Statement and MWS/Cochon Disclosure Statement (collectively, the Disclosure Statements) and the Rooster Plan and MWS/Cochon Plan (collectively, the Plans). While significant progress has been made, the parties have not yet reached resolution. As a result, the Rooster Committee files this Objection. The Rooster Committee remains hopeful that the parties can reach agreement prior to confirmation.

---

<sup>2</sup> Capitalized terms not otherwise defined herein shall have the meanings set forth in the Disclosure Statement Motions.

2. As drafted, the Disclosure Statements fail to provide adequate information necessary to meet the standard set forth under section 1125 of the Bankruptcy Code. Without modifications to the Disclosure Statements, creditors cannot sufficiently determine whether the currently proposed Plans are in their best interest.

3. The Debtors fail to include sufficient information regarding claims and causes of action proposed to be released under the Plans for creditors to evaluate the prudence of those releases.

- a. The Rooster Plan contains broad releases by both the Debtors' estates and third parties. Specifically, under the Rooster Plan, the Debtors' estates are releasing the Administrative Agent, Chet Morrison and his related entities, and the Debtors' directors and officers (collectively, the "Released Parties") from all claims. *See* Rooster Plan at 11.7. Moreover, creditors (i) that accept or are deemed to accept the Rooster Plan or (ii) are entitled to vote on the Rooster Plan but do not opt out of the release, shall be deemed to consent to the release of the "Released Claims". *See* Rooster Plan at 11.8. While the Rooster Plan seeks to release various claims, absent from the Rooster Disclosure Statement is any description of the nature of those "Released Claims" and their potential value. Creditors cannot make an informed decision on whether to accept a plan that includes broad releases without knowing the full nature and potential value of those claims.
- b. Moreover, both Disclosure Statements fail to discuss the impact of the releases contained in the MWS/Cochon Plan on the creditors of the Rooster Debtors. For example, Cochon and MWS are releasing any and all claims against the Administrative Agent and directors and officers of Cochon and MWS. Neither Disclosure Statement provides a description of the claims being released making it impossible to determine whether the MWS/Cochon Releases will affect the ability of the creditors of the Rooster Debtors to pursue litigation claims.

To remedy these defects, the Debtors must augment the Disclosure Statements to include a complete description of the nature and valuation of all claims being released and the impact on the creditors of each of the Debtors.

4. The Disclosure Statements also fail to discuss the process for the reconciliation and payment of claims filed against both the Rooster Debtors and the MWS/Cochon Debtors. Upon information and belief, the Debtors shifted operational liabilities for all of the Debtor

entities, including Cochon and MWS, to Rooster Petroleum. Vendors billed Rooster Petroleum for services performed solely for Cochon.<sup>3</sup> As a result, claims may be filed against several Debtors. In light of the two Plans and differing treatment for unsecured creditors under the MWS/Cochon Plan and Rooster Plan, there needs to be a clear process in place for claims reconciliation to ensure that creditors are treated fairly and receive appropriate distributions. Such process should be disclosed for creditors prior to voting on the Plans.

5. In addition to the inadequacies set forth in the Disclosure Statements described above, the Rooster Plan itself contains several deficiencies that make it patently unconfirmable.

- a. The Revised Rooster Plan is not proposed in good faith. On November 16, 2017, the Rooster Debtors filed a revised version of the Rooster Plan. As revised, the Rooster Plan uses coercion by implementing a “death-trap” provision which threatens to allow the noteholders’ deficiency claim (in excess of \$50 million) to dilute the general unsecured claim pool unless holders of unsecured claims vote to accept the Rooster Plan. The prior version of the Rooster Plan filed included a waiver of the noteholder’s deficiency claim without any conditions to such waiver. This coercive tactic does not meet the standard of a Plan proposed in good faith pursuant to section 1129(a)(3) of the Bankruptcy Code.
- b. The Releases in the Plan are inappropriate. The releases provided to the Released Parties and Administrative Agent in the Rooster Plan, including Chet Morrison and his related entities and the Debtors’ directors and officers, fails to meet the standards in the Fifth Circuit.
- c. Creditors may do better under liquidation. Under the “death-trap” scenario, holders of unsecured claims will be left with no recovery, which is potentially a worse position than if the Rooster Debtors’ estates were liquidated in chapter 7.

---

<sup>3</sup> The Rooster Committee has received indication that vendors were regularly billing Rooster Petroleum instead of the entity to which they provided goods and services. See e.g., Deposition Transcript of Gary Nuschler dated June 29, 2017 at 37:15-38:10 (emphasis added).

Q. (BY MR. MORAN) And when you track payables to different vendors, do you track that on an entity-be-entity basis?

A. We had not previously in general. The Morrison accounting is dealt with separately, so those were well segregated. But when Rooster Energy Limited acquired Cochon, and previously when it had acquired Probe, it was not relevant to us which entity had the obligation. It was more relevant what it was dated and when it needed to be paid. So over the last, you know, few months as we move further and further towards bankruptcy and subsequent to bankruptcy, we have spent more and more time trying to better segregate which expenses should be -- should be assigned to which entity, and we have done that. There are -- I don't know where the question was going necessarily, ***but there are several vendors who did work on Cochon fields in particular who then turned around and billed Rooster Petroleum.***

As drafted, the Rooster Debtors' Liquidation Analysis states that there will be no recovery to unsecured creditors in a liquidation scenario. However, it fails to include the value of claims against certain directors and officers and the \$5 million insurance policy. As a result, based on the Committee's calculation, even assuming the increased claims pool, recoveries to general unsecured creditors could be up to 5%.

### **RESERVATION OF RIGHTS**

6. The Rooster Committee reserves its rights to supplement, modify and amend this Objection in writing or orally at the hearing on the hearing on Disclosure Statement Motions and disclosure statements and/or to file any objections to the Plans or any amended plans.

Dated: November 17, 2017

/s/David S. Rubin

David S. Rubin (La. 11525)

david@kswb.com

KANTROW SPAHT WEAVER AND BLITZER (APLC)

P.O. Box 2997/445 North Blvd. Suite 300

Baton Rouge, LA 70821-2997

Telephone: (225) 383-4703

Facsimile: (225) 343-0630

George P. Angelich (*admitted pro hac vice*)

Jordana L. Renert

ARENT FOX LLP

1675 Broadway

New York, NY 10019

Tel: (212) 484-3900

Fax: (212) 484-3990

*Counsel for the Official Committee of  
Unsecured Creditors*

358456.1