

**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 AMENDED DISCLOSURE STATEMENT FOR AMENDED
JOINT CHAPTER 11 PLAN OF ROOSTER PETROLEUM, LLC AND ROOSTER OIL
& GAS, LLC, DATED AS OF NOVEMBER 15, 2017**

U.S. Specialty Insurance Company (“USSIC”) files this Objection to the *Amended Disclosure Statement for Amended Joint Chapter 11 Rooster Plan of Rooster Petroleum, LLC, and Rooster Oil & Gas, LLC, dated as of November 15, 2017* (“Rooster Amended Disclosure Statement”) (D.I. 562) as follows:

I. BACKGROUND

1. On October 23, 2017, Debtors filed the a disclosure statement in support of a plan for Rooster Energy, LLC, Rooster Petroleum, LLC, and Rooster Oil & Gas, LLC. On November 15, 2017, Debtors replaced the original disclosure statement with the Rooster Amended Disclosure Statement and also filed an Amended Joint Chapter 11 Plan (“Rooster Amended Plan”) (D.I. 561). The Rooster Amended Plan presents substantial changes. Despite these substantial changes, Debtors apparently plan to seek approval of the Rooster Amended Disclosure Statement on November 20, 2017. Consideration of the Rooster Amended Disclosure Statement on such short notice is inappropriate. While USSIC continues to review these filings on a rush basis, USSIC files this Objection to the Rooster Amended Disclosure Statement in advance of the upcoming hearing. USSIC has attached redlines of the Rooster Amended Plan

and Rooster Amended Disclosure Statement as Exhibit “1” and Exhibit “2” to this Objection to aid the Court’s review.

II. OBJECTION

2. USSIC continues to review the Rooster Amended Plan and Rooster Amended Disclosure Statement and reserves all rights to oppose confirmation on any ground. USSIC further incorporates by reference its Objection to the Rooster Debtors’ Disclosure Statement (D.I. 558), as many of those grounds for objection remain valid following the amendment. Additionally, USSIC raises the following objections:

- a. The Rooster Amended Disclosure Statement and Amended Plan contemplate an exit facility. A financial projection attached to the disclosure statement suggests the facility will approach \$12 million, but the Rooster Debtors do not disclose the source of funds or terms of the exit facility. The Rooster Debtors contemplate a plan supplement that may include more information, but at this time the Rooster Amended Disclosure Statement fails to provide adequate information. The terms and sources of the exit facility are essential for creditors to understand the implications of the plan on the Rooster Debtors’ assets and their prospects for an effective reorganization.
- b. The Rooster Debtors continue to rely on the concept of “Rooster Bonds New Agreements,” when no such agreements exist and no terms clearly providing for treatment of USSIC’s claim are proposed. Therefore, it is not possible for USSIC to know how its claim is being treated from the Rooster Amended Disclosure Statement.
- c. The Rooster Debtors further rely on a new concept in the Rooster Amended Disclosure Statement of the “Morrison Agreements,” which are also not disclosed. The Morrison Agreements appear to be some post-confirmation intercompany agreement, but

it's impossible to discern what the Rooster Debtors propose from the Rooster Amended Disclosure Statement itself.

d. The Rooster Amended Disclosure Statement and Amended Plan introduce a new concept of "Rooster Non-Vesting Assets," which will only be identified in some looming plan supplement. The Rooster Debtors should disclose these assets at this time because that list of assets could greatly affect the administrative liabilities of the estate and relate directly to their ability to comply with decommissioning and other environmental obligations. *See Midlantic National Bank vs. New Jersey Department of Environmental Protection*, 474 U.S. 494 (1986).

e. The Rooster Amended Plan provision regarding the assumption and transfer of oil and gas leases is unclear. The Rooster Debtors propose that those leases "shall pass through the Rooster Chapter 11 Cases as if the bankruptcy cases were (*sic*) never occurred." (D.I. 561 at 26). The provisions appear aimed to allow the Department of Interior to avoid the need to file proofs of claim or administrative claims. However, the Rooster Debtors must still address the administrative obligations arising under the leases and demonstrate their ability to comply. It is unclear from the Rooster Amended Disclosure Statement whether they will be able to do so.

f. The proposed releases and injunctions remain problematic. While the Rooster Debtors have added language excluding obligations under their bonds from the release provisions, this exclusion does not clearly track to the injunction and exculpation provisions. While this issue may be resolved by the "Rooster Bond New Agreements," the status of that resolution remains unclear.

3. 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 17, 2017

Respectfully submitted,

/s/ Bradley C. Knapp

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