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ATTORNEYS FOR  
CORY AND JENNIFER HALL

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION

IN RE:	§	CASE NO. 16-34422
	§	
SABLE NATURAL RESOURCES CORP.	§	
	§	
Debtor.	§	CHAPTER 11

**Objection to Debtor's First Amended Disclosure Statement**

COMES NOW, Cory Hall and Jennifer Hall and file this, their Objection to the Debtor's First Amended Disclosure Statement [Docket No. 64] (the "Disclosure Statement") and would respectfully show as follows:

Sable Natural Resources Corp. ("Debtor") is attempting to confirm a First Amended Plan of Reorganization [Docket No. 21] (the "Plan") based solely on (1) assets owned by its non-debtor subsidiary Sable Operating Company ("SOC") and (2) altering the debtor/creditor relationship between SOC and its creditors – namely Cory and Jennifer Hall (the "Halls"). In short, the Debtor's plan is unconfirmable on its face as it is requesting that this Court convert debt owed to the Halls by SOC (a non-debtor) into equity of the reorganized Debtor. This Court does not have jurisdiction to effectuate or force such a debt for equity conversion and SOC should not be afforded any rights or benefits of a bankrupt debtor when it is not a bankrupt debtor itself.

On June 18, 2015 SOC (not the Debtor) executed a Note as borrower with the Halls as lender in the principal amount of \$792,274.07. The Note is secured by non-operated properties owned by SOC in Jack County, Leon County, Palo Pinto County, Throckmorton County and Young County Texas (the “Non-Operated Properties”) via filed deeds of trust.

On August 28, 2015 SOC filed for chapter 11 protection under case number 15-33460 styled *In re Sable Operating Company*, which was pending before the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (Judge Jernigan). On August 22, 2016 a plan was confirmed in SOC’s bankruptcy case wherein the Non-Operated Properties were conveyed to the reorganized SOC subject to the Hall’s Note and liens against the Non-Operated Properties.<sup>1</sup> The effective date of the SOC plan was November 1, 2016. A final decree was entered in the SOC bankruptcy case on September 29, 2017.

The Halls are not creditors of the Debtor or to the Debtor’s bankruptcy estate. The Halls are secured creditors of SOC. Any allegation to the contrary is false.

The Debtor admits to such in its Disclosure Statement wherein it explains that:

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“Other Secured Claims [which includes the claims of the Halls against SOC], to the extent they exist and are Secured Claims, shall be Unimpaired under the Plan, and the Reorganized Debtor [SOC] shall perform such obligations or tender such payments to the holders of Other Secured Claims as such obligations or payments come due under the applicable agreements or law, or the Reorganized Debtor shall provide such other treatment to provide for Other Secured Claims to remain Unimpaired under the Plan. If the assets that secure the Other Secured Claims are conveyed to the Reorganized Debtor pursuant to Section 7.1(c) of the Plan [which the Non-Operated Properties were], the liens, claims or encumbrances against the conveyed assets that secure the Other Secured Claims shall remain attached to the conveyed assets and shall not be extinguished pursuant to Section 363 of the Bankruptcy Code or Section 7.1(c) of this Plan.”

*See* Section 5.2 of the SOC First Amended Plan at *In re Sable Operating Company*, Case No. 15-33460, at Docket No. 184.

At this point the Debtor is insolvent...and the only remaining asset is SOC and its non-operated properties. SOC is also insolvent with the market value of the properties estimated at \$200,000 securing a debt of \$700,000 to Mr. Hall.

...

The debtor has continued operations primarily with the minimal cash flow provided b secured non-operated properties of Sable Operating Company...

*See Disclosure Statement at pg. 12.*

The non-operating properties in SOC are encumbered by a lien to Cory and Jennifer Hall in the amount of \$700,000.

*See Disclosure Statement at pg. 14.*

The classification of the Non-Operated Properties as property of this Debtor's bankruptcy estate is improper and false. Likewise, the classification of the Halls as a "creditor" of the Debtor based solely on their Note with SOC secured by properties owned by SOC is improper and false.

The Debtor relies on those falsities in an effort to grab the cashflow from the Non-Operated Properties which are owned by SOC and constitute the Halls' collateral, push the cashflow up to the Debtor,<sup>2</sup> and in exchange convert SOC's debt to equity in the reorganized Debtor. No reading of the bankruptcy code would allow such over the objection of the Halls and the Halls seriously question whether this Court has the jurisdiction to enter a confirmation order that would have such an effect.

The Debtor's proposed Plan is unconfirmable on its face, preventing the Disclosure Statement from being properly approved. *See In re Beyound.com Corp.*, 289 B.R. 138 (N.D. Cal. 2003)(disapproval of a disclosure statement is appropriate when the "underlying plan is

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<sup>2</sup> Which is a fraudulent transfer by SOC and the Debtor as the Debtor and SOC have admitted that SOC is insolvent and SOC has failed to make any of payments to the Halls required by it under the SOC bankruptcy plan or the Note. Indeed, the Halls expressly reserve any and all claims against SOC, post petition claims against the Debtor, and claims against the Debtor's and SOC's professionals (which are one in the same) for such fraud and fraudulent transfers, conspiracy to commit fraud, and aiding and abetting the commission of fraud.

patently unconfirmable”); *In re E. Me. Elec. Co-op., Inc.* 125 B.R. 329, 333 (Bankr. D. Me. 1991)(if confirmation is impossible because of a fatally flawed plan, the court should exercise its discretion not to consider adequacy of disclosure); *In re Market Square Inn, Inc.*, 163 B.R. 64, 68 (Bankr. W.D. Pa. 1994) (“Where it is clear that a plan of reorganization is not capable of confirmation, it is appropriate to refuse the approval of the disclosure statement.”).

Finally, the Halls object to the Disclosure Statement as it wholly fails to state how classes four through seven are to be treated under the Plan. *See* Disclosure Statement at pg. 18. Causing the Disclosure Statement to provide “adequate information” as required by 11 U.S.C. § 1125.

WHEREFORE, the Halls respectfully request that approval of the Disclosure Statement be denied and for any further relief that they are entitled.

Respectfully submitted,

/s/ H. Brandon Jones

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CORY AND JENNIFER HALL

**CERTIFICATE OF SERVICE**

I hereby certify that on this the 12<sup>th</sup> day of December 2017, a copy of the foregoing document was served on all parties requesting service via the Court’s ECF system.

/s/ H. Brandon Jones

BONDS ELLIS EPPICH SCHAFFER JONES LLP