

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

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In re: : Chapter 11
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COBALT INTERNATIONAL ENERGY, INC., *et al.*,¹ : Case No. 17-36709 (MI)
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Debtors. : (Jointly Administered)
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**THE AD HOC COMMITTEE OF UNSECURED NOTEHOLDERS’ (A) STATEMENT
IN SUPPORT OF THE DEBTORS’ MOTION FOR ENTRY OF AN ORDER
(I) APPROVING BIDDING PROCEDURES FOR THE SALE OF THE DEBTORS’
ASSETS, (II) SCHEDULING AN AUCTION, (III) APPROVING THE FORM AND
MANNER OF NOTICE THEREOF, (IV) SCHEDULING HEARINGS AND OBJECTION
DEADLINES WITH RESPECT TO THE DEBTORS’ DISCLOSURE STATEMENT
AND PLAN CONFIRMATION, AND (V) GRANTING RELATED RELIEF AND
(B) JOINDER TO THE DEBTORS’ OMNIBUS REPLY IN SUPPORT OF DEBTORS’
MOTION FOR ENTRY OF AN ORDER (I) APPROVING BIDDING PROCEDURES
FOR THE SALE OF THE DEBTORS’ ASSETS, (II) SCHEDULING AN AUCTION,
(III) APPROVING THE FORM AND MANNER OF NOTICE THEREOF,
(IV) SCHEDULING HEARINGS AND OBJECTIONS WITH RESPECT TO THE
DEBTORS’ DISCLOSURE STATEMENT AND PLAN
CONFIRMATION, AND (V) GRANTING RELATED RELIEF**

The Ad Hoc Committee of Unsecured Noteholders (the “Ad Hoc Committee”), whose members are the beneficial holders of, or are investment managers or advisors to funds or accounts that are the beneficial holders of, the 2.625% Convertible Senior Notes due 2019 and 3.125% Convertible Senior Notes due 2023 issued by Cobalt, hereby submits the following (A) statement in support of the *Debtors’ Motion For Entry Of An Order (I) Approving Bidding Procedures For The Sale Of The Debtors’ Assets, (II) Scheduling An Auction, (III) Approving the*

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Cobalt International Energy, Inc. (1169) (“Cobalt”); Cobalt International Energy GP, LLC (7374); Cobalt International Energy, L.P. (2411); Cobalt GOM LLC (7188); Cobalt GOM # 1 LLC (7262); and Cobalt GOM # 2 LLC (7316). The Debtors’ service address is: 920 Memorial City Way, Suite 100, Houston, Texas 77024.

Form And Manner Of Notice Thereof, (IV) Scheduling Hearings And Objections With Respect To The Debtors' Disclosure Statement And Plan Confirmation, And (V) Granting Related Relief [Docket No. 15] (the "Motion") and (B) joinder to the *Debtors' Omnibus Reply in Support of Debtors' Motion For Entry Of An Order (I) Approving Bidding Procedures For The Sale Of The Debtors' Assets, (II) Scheduling An Auction, (III) Approving The Form And Manner Of Notice Thereof, (IV) Scheduling Hearings And Objections With Respect To The Debtors' Disclosure Statement And Plan Confirmation, And (V) Granting Related Relief* [Docket No. 282] (the "Debtors' Reply") with respect to the objection to the Motion filed by Chevron U.S.A. Inc. [Docket No. 247] ("Chevron").² In support of the Motion, the Ad Hoc Committee respectfully states as follows:

STATEMENT

1. The Ad Hoc Committee supports the Debtors' efforts to market their assets in connection with a potential sale, and believes that bidding procedures can play an important role in maximizing the value to be derived from those efforts. The Ad Hoc Committee also agrees with the Debtors that an expedited timeline for the marketing process is sensible here. The Ad Hoc Committee wishes to clarify, however, that its support for that process does not predetermine the Ad Hoc Committee's support for the actual sale of the Debtors' assets. The Ad Hoc Committee's support for any such sale will depend upon the results of the marketing process and the price(s) realized for the asset(s) to be sold at the Auction or otherwise.

2. Given the proposed expedited timeline, the Ad Hoc Committee believes that it is imperative that flexibility be maintained so that the sale of some or all of the Debtors' assets does not become a *fait accompli* without sufficient consideration of the terms of any such

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Motion.

sale. While the Ad Hoc Committee is optimistic that the marketing process and the Auction will be successful, an inferior transaction should not be imposed upon creditors later in these cases on the purported basis that the process has run its course and that the Debtors are therefore out of time to pursue alternatives.

3. For these reasons, the Ad Hoc Committee sought to engage constructively with the Debtors and the official committee of unsecured creditors regarding the Bidding Procedures. From these efforts, agreement was reached on certain modifications to the Bidding Procedures (the “Revised Bidding Procedures”) and related order (the “Revised Proposed Order”), which are now reflected in *Notice Of Filing Of Revised Proposed Order (I) Approving Bidding Procedures For The Sale Of The Debtors’ Assets, (II) Scheduling An Auction, (III) Approving The Form And Manner Of Notice Thereof, (IV) Scheduling Hearings And Objection Deadlines With Respect To The Debtors’ Disclosure Statement And Plan Confirmation, And (V) Granting Related Relief* [Docket No. 285]. Among the important modifications, the Revised Bidding Procedures now provide the Ad Hoc Committee with consultation rights (*see Revised Bidding Procedures* ¶¶ 2, 4, 5, 7, 8, 9, 10, 12, 14 and 15), and the modified order approving the Revised Proposed Order makes clear that the Debtors are free to consider and pursue alternative transactions, including a standalone plan of reorganization, concurrently with the marketing process and in lieu of a sale of some or all of the Debtors’ assets at Auctions (*see Revised Proposed Order* ¶ 26).

4. The Ad Hoc Committee also supports providing the Debtors with discretion to grant bid protections to a Stalking Horse Bidder. In this regard, the Ad Hoc Committee believes that bid protections may be necessary and appropriate to entice Potential Bidders to serve as Stalking Horse Bidder, which could contribute to the goal of achieving a

value-maximizing transaction and benefit creditors. The Ad Hoc Committee, however, could not support the Debtors' initial proposal on this point as it would have conferred authority upon the Debtors to grant Bid Protections to a Stalking Horse Bidder with little, if any, limitations. In contrast, the Revised Bidding Procedures set appropriate limitations on the Debtors' authority to grant Bid Protections and the Ad Hoc Committee supports the Debtors' request for such authority.

5. For the foregoing reasons, the Ad Hoc Committee supports the Motion. In addition, the Ad Hoc Committee joins in the Debtors' Reply with respect to the Chevron Objection.

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CONCLUSION

WHEREFORE, the Ad Hoc Committee respectfully requests that the Court (a) approve the Motion as to the Revised Proposed Order and the Revised Bidding Procedures, and (b) grant the Ad Hoc Committee such other and further relief as the Court may deem just and proper.

Dated: January 24, 2018
Fort Worth, Texas

COLE SCHOTZ P.C.

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