

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

IN RE:)	CASE NO.: 17-36709
)	
COBALT INTERNATIONAL ENERGY, INC., et al.¹)	CHAPTER 11
)	
Debtor(s).)	Jointly Administered
)	

**LIMITED OBJECTION OF HALLIBURTON ATLANTIC LIMITED AND
HALLIBURTON OVERSEAS LIMITED-SUCURSAL DE ANGOLA TO THE FOURTH
AMENDED JOINT CHAPTER 11 PLAN OF COBALT INTERNATIONAL ENERGY,
INC. AND ITS DEBTOR AFFILIATES**

TO THE HONORABLE UNITED STATES BANKRUPTCY COURT JUDGE MARVIN ISGUR:

Halliburton Atlantic Limited and Halliburton Overseas Limited-Sucursal de Angola (collectively the “Halliburton Entities”) file this Limited Objection of Halliburton Atlantic Limited and Halliburton Overseas Limited-Sucursal de Angola to the Fourth Amended Joint Chapter 11 Plan of Cobalt International Energy, Inc. and its Debtor Affiliates (the “Objection”), and respectfully state as follows:

PRELIMINARY STATEMENT

1. The Halliburton Entities are not creditors of the Debtors. Instead, the Halliburton Entities are creditors of certain non-Debtor affiliates whose assets will apparently be used to fund distributions to the Debtors’ creditors under the Plan. Because the Halliburton Entities do not hold a claim against the Debtors, the Halliburton Entities were not entitled to vote on the Plan and their claims should not be treated or discharged by the Plan. The Plan may, however,

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 International Energy GP, LLC (7374); Cobalt International Energy, LP (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.



improperly impact the Halliburton Entities' claims against non-Debtor affiliates, and as such, the Halliburton Entities are parties in interest under Bankruptcy Code section 1109(b) with standing to participate and be heard regarding the Plan.

BACKGROUND

2. On December 14, 2017 (the "Petition Date"), Cobalt International Energy, Inc. and certain affiliated entities (the "Debtors") filed petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court").

3. On January 23, 2018, the Debtors filed the *Joint Chapter 11 Plan of Cobalt International Energy, Inc. and its Debtor Affiliates* [Docket No. 272] which was subsequently amended on February 21, 2018 and March 8, 2018 (as amended, the "Plan") [Docket Nos. 462, 553 and 561]. Also on January 23, 2017, the Debtors filed the *Disclosure Statement for the Joint Chapter 11 Plan of Cobalt International Energy, Inc. and its Debtor Affiliates* [Docket No. 274] which was subsequently amended on February 21, 2018 and March 8, 2018 (as amended and approved, the "Disclosure Statement") [Docket Nos. 464, 549 and 562].

4. The Halliburton Entities and certain non-Debtor Cobalt affiliates are parties to various agreements relating to oil and gas production in Angola. Specifically, the Halliburton Entities are party to (i) that certain Angola Master Service Agreement No. A20-071 between CIE Angola Block 20 Ltd. (a non-Debtor subsidiary of the Debtors) and Halliburton Atlantic Limited and Halliburton Overseas Limited-Sucursal de Angola; and (ii) that certain Angola Master Service Agreement No. A21-206 between CIE Angola Block 21 Ltd. (also a non-Debtor subsidiary of the Debtors) and Halliburton Atlantic Limited and Halliburton Overseas Limited-Sucursal de Angola; and (iii) Service Agreements under the foregoing (collectively the

“Agreements”). As of the Petition Date, non-Debtors CIE Angola Block 20 Ltd. and/or CIE Angola Block 21 Ltd. (together the “Angolan Subsidiaries”) owe the Halliburton Entities the principal amount of \$1,116,091.93 for outstanding invoices under the Agreements.

5. On December 21, 2017, the Debtors filed their *Debtors’ Motion For Entry of An Order (I) Authorizing Performance Under Settlement Agreement, (II) Approving Settlement Agreement, and (III) Granting Related Relief* (the “Settlement Motion”) [Docket No. 127] seeking approval of a global settlement of issues between certain Cobalt entities (all non-Debtors) and Sonangol, the state oil and gas company of the Republic of Angola. Among other things, the settlement allows a transfer of assets from the Angolan Subsidiaries to Sonangol in exchange for a \$500 million payment from Sonangol (the “Sonangol Settlement”). On January 25, 2018, the Bankruptcy Court entered the *Order Approving Debtors’ Motion For Entry of An Order (I) Authorizing Performance Under Settlement Agreement, (II) Approving Settlement Agreement, and (III) Granting Related Relief* (the “Settlement Order”) [Docket No. 300].

6. Pursuant to paragraph 9 of the Settlement Order, “[t]he Debtors shall cause the \$500 million settlement payment or any portion thereof actually received from Sonangol to be deposited into a segregated depository account located in the United States established and maintained by the Angolan Subsidiaries.... No distributions or transfers shall be made from the segregated depository account absent further order of this Court.” Additionally, as stated in the Disclosure Statement,

The Settlement Order requires the Debtors “to cause the \$500 million settlement payment or any portion thereof actually received from Sonangol to be deposited into a segregated depository account located in the United States established and maintained by the [non-Debtor] Angolan Subsidiaries.” The Settlement Order also provides that settlement proceeds shall not be distributed without further order from the Court. Various parties in interest, including creditors asserting claims against the Angolan Subsidiaries, have asserted or may assert claims against or interests in the

settlement proceeds. Such rights and arguments are preserved under the Settlement Order and the Plan. On February 21, 2018, Sonangol made the initial installment payment of \$150 million.

See Disclosure Statement section VIII. G.

OBJECTIONS

7. The Halliburton Entities object to the releases, exculpation and injunctions arising under the Plan, and further object to the Plan on the grounds that it fails to provide adequate means for its own implementation with respect to the proceeds from the Sonangol Settlement.

A. Releases, Exculpation and Injunction

8. The Debtors' *Notice of Hearing to Consider Confirmation of the Chapter 11 Plan filed by the Debtors and Relating Voting and Objection Deadlines* clearly provides that all holders of claims against or interests *in the Debtors* who do not file an objection that expressly objects to such holder as a Releasing Party under the provisions contained in Article III.C. of the Plan shall be deemed to have consented to the release and discharge of all Claims and Causes of Action against the Debtors and the Released Parties. The Halliburton Entities do not have a Claim against or Interest in the Debtors. Out of an abundance of caution, however, the Halliburton Entities file this objection based on the points stated below.

9. The Disclosure Statement acknowledges that claims against the Angolan Subsidiaries, and claims "against or interests in the settlement proceeds.... are preserved under the Settlement Order and the Plan." *Disclosure Statement* section VIII. G. The Plan, however, can be read to release such claims. Article VIII. C. of the Plan broadly releases and discharges each Debtor and *Released Party* by each *Releasing Party*.

10. The Plan defines "Released Party" to include numerous non-debtor individuals and entities, including *current and former Affiliates and subsidiaries and such entities' current*

and former directors, managers and officers. See Plan, at Docket. No. 561 Art. 1 A, definition no. 105. The Angolan Subsidiaries and their officers and directors appear to fall within this definition.

11. “Releasing Party” is defined to include creditors and interest holders *and their former and current Affiliates and subsidiaries.* See Plan, at Docket. No. 561 Art. 1 A, definition no. 106. The Halliburton Entities are not creditors of the Debtors. However, an affiliate of the Halliburton Entities is a creditor of Cobalt International Energy, L.P.²

12. Based on the foregoing, the Plan can be construed to release claims against non-Debtor affiliates solely because an affiliate of the claimant happens to be a creditor of one of the Cobalt Debtors. Further, based on the same Plan definitions, the exculpation provision contained in Article VIII.D. and the injunction provision contained in Article VIII. E. of the Plan can be read to extend to entities with claims solely against non-Debtor affiliates.

13. Neither the Plan nor the Confirmation Order should affect those entities with claims solely against non-Debtor affiliates. Thus, the Halliburton Entities request that the Confirmation Order specifically state that the Halliburton Entities are not “Releasing Parties,” and that nothing in the Plan, including but not limited to any releases, exculpations, and/or injunctions affects the Halliburton Entities.

² See scheduled claim of Halliburton Energy Services in the unsecured amount of \$5,365.40 found in Schedule E/F, Part 2 of Cobalt International Energy, L.P., filed at Docket No. 335.

B. Adequate Means for Implementation

14. Section 1123 of the Bankruptcy Code requires that a plan provide “provide adequate means for the plan’s implementation.” 11 U.S.C. §1123(a)(5). The Plan as drafted is missing an important mechanism for the disposition of the proceeds from the Sonangol Settlement.

15. Both the Settlement Order and the Disclosure Statement provide that the proceeds from the Sonangol Settlement contained in the non-Debtor bank account shall not be distributed without further order of the Court. The Debtors have advised that Sonangol made the initial installment payment of \$150 million, and the remaining \$350 million is to be paid on or before July 1, 2018. *See* Disclosure Statement section VIII. G. The Disclosure Statement also makes clear that the settlement proceeds will be used to make distributions to creditors of the Debtors. *See* Disclosure Statement section III.D, Summary of Expected Recoveries and section IX.A.10, Risk Factors. The Plan is silent, however, on how the settlement proceeds will move from *non-Debtors* into the Debtors’ estates.

16. The Plan defines “Plan Administrator Assets” as “all assets of the Estates, including interests in non-Debtor subsidiaries, vested in the Plan Administrator, and, thereafter, all assets held from time to time by the Plan Administrator.” Plan Article 1 A, definition no. 93 [Docket No. 561]. The settlement proceeds are not contained within this definition as they are property of *non-Debtor* subsidiaries and held in a non-Debtor bank account as required by this Court.

17. In describing the Rights and Powers of the Plan Administrator, the Plan Administrator is required to appoint new directors and officers of the non-Debtor subsidiaries. *See* Plan, Article IV.D., *Means for Implementation*. Further, the Plan Administrator is

responsible for winding down *the Debtors'* businesses and affairs and making all distributions to holders of Allowed Claims in accordance with the Plan. *See Plan, Article IV.D., Means for Implementation.* The Plan is silent regarding whether the new directors and officers will be tasked with the wind down of the Angolan Subsidiaries and payment of the Angolan Subsidiaries' creditors before upstreaming the proceeds from the Sonangol Settlement to the Plan Administrator.

18. This is not the first time that a party in interest has pointed out a lack of clarity regarding what will become of claims against the Angolan Subsidiaries. In its response to the Sonangol settlement motion, Sonangol itself identified the problem:

Debtors' non-debtor subsidiaries must also undertake to pay all Angolan creditors (including Angolan landlords for rented property), pay any Angolan taxes due (including any taxes due under the Petroleum Tax Law), and ensure that Angolan employees will be terminated in accordance with Angolan labor laws. It is reasonable for Debtors to undertake that settlement payments will not be transferred out of Angola until these items have been completed. Once the payments are transferred out of Angola, they will likely become part of the Debtors' Estates beyond the reach of the Angolan Government and citizens.

See Sur-Reply to Debtors' Omnibus Reply in Support of Limited Objection & Reservation of Rights to Debtors' Motion for Entry of An Order (I) Authorizing Performance under Settlement Agreement, (II) Authorizing Settlement Agreement, and (III) Granting Related Relief [Docket No. 288] at paragraph 6.

19. As the proceeds from the Sonangol Settlement are ultimately going to be distributed to the Debtors' creditors under the Plan, the Plan should specify how such funds will become part of the Debtors' Estates.

CONCLUSION

The Halliburton Entities respectfully request that the Court deny confirmation of the Plan unless the Debtors address the issues identified above, and grant such further relief to which the Halliburton Entities are entitled.

DATED: March 27, 2018

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing pleading was served by (i) electronic mail via the Court's ECF system to all parties authorized to receive electronic notice in this case and (ii) first class United States Mail, postage prepaid and properly addressed, to all parties appearing on the attached Service List on March 27, 2018.

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