

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE:	§	CHAPTER 11
	§	
COBALT INTERNATIONAL ENERGY, INC., <i>et al.</i>	§	CASE NUMBER 17-36709 (MI)
	§	
DEBTORS.	§	
	§	
	§	JOINTLY ADMINISTERED
	§	

CONOCOPHILLIPS COMPANY'S LIMITED OBJECTION, JOINDER, AND
RESERVATION OF RIGHTS TO CONFIRMATION OF THE DEBTORS' FOURTH
AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION
[Relates to D.I. 561, 612]

ConocoPhillips Company ("COPC") files this Limited Objection, Joinder¹, and Reservation of Rights the Debtors' *Fourth Amended Joint Chapter 11 Plan of Cobalt International Energy, Inc. and its Debtor Affiliates* (D.I. 561, 612) ("Plan") as may be later amended and supplemented, and would show the Court the following:

I. LIMITED OBJECTION

1. COPC, along with Anadarko Petroleum Corporation ("APC"), Anadarko US Offshore LLC ("Anadarko US Offshore"), Venari Offshore, LLC ("Venari"), are parties to an operating agreement (the "OA") with Cobalt International Energy, L.P. ("Cobalt") related to the assets Cobalt identifies as the "Shenandoah Asset." COPC and Anadarko US Offshore have provided notice of their withdrawal from the OA. The OCS leases that give rise to the OA terminate or expire on or about April 16, 2018. Moreover, pursuant to the sale process established in these bankruptcy cases, Cobalt expects to sell its interest, as increased by COPC and Anadarko US Offshore's withdrawal, to Navitas US Petroleum, LLC ("Navitas"). (*See* D.I.

¹ COPC joins in the objection filed by Anadarko. (D.I. 642).



542). Following the sale transaction, LLOG Exploration Offshore, LLC (“LLOG”) will serve as the operator of the Shenandoah Assets. In advance of the possible sale transaction, Cobalt has asked COPC to designate LLOG as operator under the OA for the purpose of filing a lease savings request with BOEM/ BSEE as soon as possible.

2. The parties to the OA have been working diligently with Debtors and LLOG toward an Agreement Regarding Designation of Successor Operator (“DOO Agreement”). The DOO Agreement, which was executed on or about March 26, 2018, provides the framework for allowing LLOG to be designated as operator (“DOO”) as soon as possible (and before the sale) and move forward with the necessary regulatory approvals to extend the lease term (the “SOP”).

3. However, the DOO, the SOP, and other aspects of the sale transaction remain subject to regulatory approval and numerous conditions precedent to closing the sale transaction with Navitas.² While the parties have provided terms to establish their rights in the event the government fails to approve the DOO and/or the SOP, the overlay of the plan confirmation process requires that some of these protections appear in the confirmation order.

4. Therefore, COPC submits this limited objection to confirmation of the Plan on the following grounds:

- a. While Debtors have noticed the assumption of the agreements related to the Shenandoah Assets (D.I. 612), Debtors should be required to cure any defaults including past due joint interest billing payments under the OA and make clear that the confirmation order does not modify, impair, or otherwise discharge those obligations and similarly preserve the parties rights under the DOO Agreement.

² See D.I. 594, Ex. C Art. IX (setting out closing conditions including BOEM approval of the DOO and assignment and BSEE approval of the SOP extending the termination dates of the Shenandoah leases until 2024).

- b. The Debtors should reserve for their share of decommissioning liabilities related to the Shenandoah Assets pending regulatory approvals of the DOO and SOP. Under the DOO Agreement, should regulatory approvals not be provided, the leases related to the Shenandoah Assets will be terminated, and the designated operator will need to commence decommissioning in accordance with the applicable regulations. The Debtors should reserve for their share of the decommissioning costs until the approvals necessary to transfer the Shenandoah Assets, transfer operatorship, and extend the lease term are granted.
- c. COPC anticipates the confirmation order will contain language preserving regulatory approvals and any subrogation rights parties may have to the government's claims. To the extent the confirmation order fails to provide such a reservation, COPC objects to its entry. COPC further hereby provides notice it objects to the release of any non-debtor "Released Party" and further reserves the right to submit an "opt out" notice related to the proposed releases.
- d. Debtors' Plan Supplement includes purported litigation claims against COPC described solely as "Claims, Defenses, Cross-Claims, and Counter-Claims Related to Litigation and Possible Litigation." (D.I. 612, Ex. C-2). This vague notation contains no disclosure or description of the reserved claims. COPC objects to the Plan to the extent Debtors' would purport to transfer causes of action without identifying them in any meaningful way.

III. RESERVATION OF RIGHTS

5. COPC reserves the right to further amend, modify, or supplement this Limited Objection at any time and also reserves all its rights, if any, as creditors in these bankruptcy cases, including in connection with its proof of claim, any contract cure or objection processes, the sale process, and with respect to the plan. COPC further adopts and incorporates by reference the objection to confirmation filed by Anadarko, which addresses similar issues.

WHEREFORE, COPC asks this Court to (i) sustain their objections to the Disclosure Statement, and (ii) grant COPC such other and further relief to which it may be justly entitled.

DATED: March 27, 2018

Respectfully submitted,

By: /s/ Bradley C. Knapp

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CERTIFICATE OF SERVICE

I certify that, on March 27, 2018, a true and correct copy of the foregoing *Objection* was served electronically via the Court's ECF system on all parties registered to receive electronic notice.

/s/ Bradley C. Knapp

Bradley C. Knapp