

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

<hr/>		)	CASE NO.: 17-36709
IN RE:		)	
COBALT INTERNATIONAL ENERGY, INC.,		)	CHAPTER 11
et al. <sup>1</sup>		)	
		)	Jointly Administered
Debtor(s).		)	
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**OBJECTION OF HALLIBURTON ATLANTIC LIMITED AND HALLIBURTON  
OVERSEAS LIMITED-SUCURSAL DE ANGOLA TO THE MOTION OF NADER  
TAVAKOLI, ACTING SOLELY AS PLAN ADMINISTRATOR, FOR ENTRY OF  
ORDER AUTHORIZING PLAN ADMINISTRATOR TO TRANSFER FUNDS IN  
FURTHERANCE OF THE PLAN**

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 *Objection of Halliburton Atlantic Limited and Halliburton Overseas Limited-Sucursal de Angola to the Motion of Nader Tavakoli, Acting Solely as Plan Administrator, for Entry of an Order Authorizing Plan Administrator to Transfer Funds in Furtherance of the Plan* (the “Objection”), and respectfully state as follows:

**BACKGROUND**

**A. The Bankruptcy Cases**

1. 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

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<sup>1</sup> The Reorganized Debtors in these chapter 11 cases, along with the last four digits of each Reorganized 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.



United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas (the “Court”).

2. 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, 2018, 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]. On April 5, 2018, this Court entered the *Order (I) Confirming the Fourth Amended Joint Chapter 11 Plan of Cobalt International Energy, Inc. and Its Debtor Affiliates and (II) Approving the Sale Transaction* (the “Confirmation Order”) [Docket No. 784] confirming the Plan.

#### **B. Claims Against Non-Debtor [Angolan] Subsidiaries**

3. 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; (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”) owed the Halliburton Entities the principal amount of

\$1,116,091.93 for outstanding invoices under the Agreements in addition to interest and attorneys' fees.<sup>2</sup> Counsel for the Halliburton Entities has been in discussion with counsel for the Debtors prior to the Confirmation Order being entered and counsel for the Plan Administrator since he was appointed. To date, the issues between the parties remain unresolved, and on September 11, 2018, the Halliburton Entities initiated arbitration proceedings against the Non-Debtor [Angolan] Subsidiaries.<sup>3</sup>

4. Prior to the chapter 11 filing, the Debtors were aware that the Halliburton Entities (and other creditors) asserted claims against the non-debtor Angolan Subsidiaries. The Halliburton Entities have been in discussions to settle their claims against the Angolan Subsidiaries for several months. The Parties even discussed claims asserted against the Angolan Subsidiaries in the context of the Plan. As a result (and to resolve a confirmation objection), the Debtors included the following language in paragraph 178 of the Confirmation Order:

For the avoidance of doubt, Halliburton Atlantic Limited and Halliburton Overseas Limited-Sucursal de Angola, each in their capacity as creditors of certain non-Debtor affiliates (collectively, the "Halliburton Entities") shall not be considered Releasing Parties or Released Parties and the release, exculpation, and/or injunctive provisions contained in Article VIII of the Plan shall not affect the Halliburton Entities; provided that nothing herein shall be deemed an admission as to the validity of any claim against a Debtor or non-Debtor Entity or a waiver of the Debtors' or non-Debtors' right to dispute any such claim on any grounds.

#### **C. The Sonangol Settlement Proceeds and Distributions Therefrom**

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*

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<sup>2</sup> The Debtors do not dispute the amount of the invoices, however, they assert that they have a setoff that, if allowed, would result in the Halliburton Entities owing certain non-Debtor Subsidiaries. The Halliburton Entities dispute the validity of setoff which is the basis of the Non-Debtor Subsidiaries' claim against the Halliburton Entities.

<sup>3</sup> The parties have agreed to the use of a single arbitrator and a one consolidated arbitration proceeding. Additionally, the parties have exchanged lists of potential arbitrators, and the arbitrator should be appointed in the near future.

*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 provided for 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, this 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, in the Disclosure Statement, the Debtors specifically preserved the rights of creditors asserting claims against the non-debtor Angolan Subsidiaries:

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.*

*See* Disclosure Statement section VIII. G. (emphasis added).

7. On August 22, 2018, the Plan Administrator filed his *Motion of Plan Administrator for Authority to Direct Funds in Furtherance of Settlement Order and Plan and Notice of Distribution* (the “Motion”) [Docket No. 1022] seeking authority to transfer the Sonangol Settlement Proceeds from the Segregated Account to the Plan Administrator Account, and make a \$365 million Interim Distribution to the Second Lien Noteholders, pursuant to the distribution mechanism set forth in the Plan. On September 24, 2018, the Court entered the *Agreed Order Granting Motion of the Plan Administrator for Authority to Direct Funds in Furtherance of the Settlement Order and Plan* [Docket No. 1077] authorizing (i) the transfer of \$365,000,000 of the Sonangol Settlement Proceeds in the Segregated Account to the Plan Administrator Account and (2) the distribution of \$400,000,000 to Second Lien Noteholders comprised of the \$365,000,000 in funds from the Sonangol Settlement Proceeds and \$35,000,000 in proceeds from the Second Lien Noteholders’ collateral.

8. Subsequently, the Plan Administrator sought authority from the Court to transfer additional funds from the Segregated Account, and on November 1, 2018, the Court entered its *Order Granting Expedited Motion of Nader Tavakoli, Acting Solely as Plan Administrator, for Entry of Order (I) Approving Settlement With Whitton Petroleum Services, Limited Pursuant to Bankruptcy Rule 9019 and (II) Authorizing Plan Administrator to Transfer and Distribute Funds in Furtherance of Settlement*, (Docket No. 1157) authorizing the transfer of another \$15,200,000 of the Sonangol Settlement Proceeds from the Segregated Account to the Plan Administrator Account and then to Whitton Petroleum Services in settlement of Whitton Petroleum Services’ claims against the Debtors.

9. On November 21, 2018, the Plan Administrator filed his *Motion of Nader Tavakoli, Acting Solely as Plan Administrator, for Entry of an Order Authorizing Plan*

*Administrator to Transfer Funds in Furtherance of the Plan* (the “Motion”)<sup>4</sup> [Docket No. 1195] seeking to transfer an additional \$120 million held in the Segregated Account to the Plan Administrator Account for distribution to the Second Lien Noteholders.

### **Objection**

10. The Halliburton Entities object to the additional transfer of the Sonangol Settlement Proceeds from the account maintained by the Angolan Subsidiaries and to any distribution from such proceeds, unless an amount is reserved in the Segregated Account amount specifically to pay the claims of the Halliburton Entities if such claims are ultimately awarded in the arbitration proceedings or otherwise settled. In the alternative, the Halliburton Entities request that the following language be included in any order authorizing the additional transfer of the Sonangol Settlement Funds: *“Nothing in this Order shall release the Plan Administrator, any other transferee or transferor, or any officer, director, managing agent, or other controlling person from any cause of action or remedy available under applicable law to the Non-Debtor Subsidiaries or their creditors with respect to the transfer of the Sonangol Settlement Proceeds to the Plan Administrator, to the Second Lien Noteholders or to any other party.”*

11. The Sonangol Settlement Proceeds were generated from the transfer of assets owned by Non-Debtor [Angolan] Subsidiaries but are being utilized to pay creditors of the Debtors. In paragraph 18 of the Motion, the Plan Administrator states that “[t]he \$120 million transfer from the Segregated Account to the Plan Administrator Account will not prejudice other stakeholders, because approximately \$3,759,375.07 of the remaining Sonangol Settlement Proceeds (plus any accruing interest) are well in excess of what is required for the claim asserted by Halliburton Atlantic Limited and Halliburton Overseas Limited Sucursal de Angola (collectively, the “Halliburton Entities”) against certain Non-Debtor Subsidiaries and/or any

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<sup>4</sup> Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Motion.

potential non-debtor claims against the Non-Debtor Subsidiaries.” However, the Plan Administrator has not provided any evidence that leaving \$3,759,375.07 is enough to satisfy all remaining creditors of the Non-Debtor [Angolan] Subsidiaries.

12. The Debtors did not file chapter 11 for the Angolan Subsidiaries. Because they were not debtors, the Angolan Subsidiaries did not file schedules of assets and liabilities. It is unclear what liabilities and/or claims exist at the non-debtor entities and the priority of any such claims. The Plan Administrator has been silent regarding his review of the books and records of the Non-Debtor Subsidiaries and identification of any creditors of such entities. The Plan Administrator has not provided any information regarding his effort to wind down the Non-Debtor Subsidiaries in accordance with applicable law. Furthermore, the Plan Administrator has not provided any information regarding notice given to potential creditors of the Non-Debtor Subsidiaries prior to his request for this Court to authorize a transfer of the majority of the remaining assets (i.e. the Sonangol Settlement Proceeds) from these Non-Debtor [Angolan] Subsidiaries to the creditors of the Debtors. In fact, in paragraph 5 of the *Declaration of Aaron Skidmore in Support of the Reply in Support of Motion of the Plan Administrator for Authority to Direct Funds in Furtherance of Settlement Order and Plan and Notice of Distribution* filed on September 24, 2018 with this Court (the “Skidmore Declaration”) [Docket No. 1073] and attached hereto as Exhibit A, Mr. Skidmore, Treasurer of Cobalt International Energy, L.P. states that “I cannot, however, guarantee that there will not be any claims asserted in the future against the non-debtor subsidiaries and/or the Sonangol Proceeds.” In addition, in paragraph 6 of the Skidmore Declaration, Mr. Skidmore declares: “To the best of my knowledge, information and belief, there are no other known, material, non-contingent assets held by the debtors and non-

debtors.” Thus, there are likely no other assets of the Non-Debtor Subsidiaries, other than the Sonangol Settlement Proceeds, available to satisfy the creditors of these non-Debtor entities.

13. The Non-Debtor Subsidiaries, including the Angolan Subsidiaries, were not substantively consolidated as part of the Plan. Notwithstanding the lack of transparency with respect to the Angolan Subsidiaries, the Plan Administrator seeks to use the Angolan Subsidiaries’ Sonangol Settlement Proceeds to pay secured claims asserted against the Debtors as if they were secured claims against the Angolan Subsidiaries. In paragraph 13 of the Motion, the Plan Administrator states:

The Second Lien Noteholders have a second-lien pledge of 65% of Cobalt LP’s ownership interests in Cobalt International, and 100% second-lien pledge on intercompany claims. See Disclosure Statement at p. 30, §§ VI.D.1, VI.D.2. As a result, at least 65% of the Sonangol Settlement Proceeds received by Cobalt LP are subject to the Second Lien Noteholders’ liens and thus constitute Net Cash available for distribution for distribution to U.S. Bank, Indenture Trustee for the holders of Second Lien Notes Secured Claims.

14. There are several levels of non-debtor entities between the Debtor that granted the pledge<sup>5</sup> and the non-debtor entity at which the Sonangol Settlement Proceeds are being held. Additionally, the intercompany claims listed in the Debtors’ schedules of assets and liabilities are generally listed as unsecured claims. The Plan provides:

Allowed Intercompany Claims shall be treated *pari passu* with General Unsecured Claims against the applicable Debtor and will share in distributions from such Debtor. In lieu of Cash payment to the Debtors holding such Intercompany Claims, the distributions on account of such Intercompany Claims may be made to the creditors of the Debtor holding such Intercompany Claims.

*See Plan, Article III.B.8.*

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<sup>5</sup> The Disclosure Statement identifies Cobalt International Energy, Inc. as issuer and the other Debtors as guarantors. The guarantors are listed as Cobalt International Energy GP, LLC, Cobalt International Energy, L.P., Cobalt GOM LLC, Cobalt GOM #1 LLC, and Cobalt GOM #2 LLC. *See* Disclosure Statement section VI.D.1 and VI.D.2. The Angolan Subsidiaries are not listed as guarantors.



15. Presumably, the Second Lien Noteholders have a lien on unsecured Intercompany Claims. That lien, however, does not elevate the priority of the unsecured Intercompany Claims vis-à-vis other creditors of the Non-Debtor [Angolan] Subsidiaries. The Halliburton Entities (as creditors of the Angolan Subsidiaries) object to the Plan Administrator's effort to sweep and commingle the majority of the remaining Sonangol Settlement Proceeds that should first be utilized to pay creditors of those non-Debtor entities.

16. The Sonangol Settlement Proceeds should be maintained in the Segregated Account and not distributed until such time as creditors of the Angolan Subsidiaries, including the Halliburton Entities, are paid.

**CONCLUSION**

17. The Halliburton Entities respectfully request that the Court deny the Motion unless an amount is reserved in the Segregated Account amount specifically to pay the claims of the Halliburton Entities if such claims are ultimately awarded in the arbitration proceedings or otherwise settled and grant such further relief to which the Halliburton Entities are entitled.

DATED: December 11, 2018

Respectfully submitted,

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*Counsel for Halliburton Atlantic Limited and Halliburton  
Overseas Limited-Sucursal de Angola*

**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 below Service List on December 11, 2018.

/s/ Kourtney P. Lyda  
Kourtney P. Lyda

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# EXHIBIT A

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

In re:	§	Chapter 11
	§	
COBALT INTERNATIONAL ENERGY, INC., <i>et al.</i> , <sup>1</sup>	§	Case No. 17-36709 (MI)
	§	
Reorganized Debtors.	§	(Jointly Administered)

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**DECLARATION OF AARON SKIDMORE IN SUPPORT OF THE  
REPLY IN SUPPORT OF THE MOTION OF PLAN ADMINISTRATOR  
FOR AUTHORITY TO DIRECT FUNDS IN FURTHERANCE OF  
SETTLEMENT ORDER AND PLAN AND NOTICE OF DISTRIBUTION**

I, Aaron Skidmore, declare the following as true and correct under penalty of perjury:

1. Under the *Fourth Amended Joint Chapter 11 Plan of Cobalt International Energy, Inc. and Its Debtor Affiliates*, confirmed on April 5, 2018 (the “Plan”), Nader Tavakoli was appointed as the Lead Member and Chairman of the Plan Administrator Committee of Cobalt International Energy, Inc., *et al.* (the “Plan Administrator”). The Plan Administrator has been utilizing certain employees of the Reorganized Debtors and Professionals to assist him with myriad post-confirmation and wind-down matters, consistent with the duties assigned to the Plan Administrator under the confirmed Plan. I am the current Treasurer of Cobalt International Energy, L.P. and I have assisted the Plan Administrator in this capacity.

2. I am familiar with the debtors’ and non-debtor subsidiaries’ operations, financing arrangements, business affairs, and books and records that reflect, among other things, the debtors’ and non-debtor subsidiaries’ liabilities and the amount thereof owed to creditors. As

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<sup>1</sup> The Reorganized Debtors in these chapter 11 cases, along with the last four digits of each Reorganized Debtor’s federal tax identification number, are: Cobalt International Energy, Inc. (1169); 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).





Treasurer, I maintain the debtors' and non-debtor subsidiaries' books and records and have personal knowledge thereof.

3. I have read the *Reply in Support of the Motion of Plan Administrator for Authority to Direct Funds in Furtherance of Settlement Order and Plan and Notice of Distribution* (the "Reply"), including Exhibit A attached thereto. To the best of my knowledge, information, and belief, the amounts set forth in Exhibit A to the Reply are accurate.

4. Other than the distribution to the Second Lien Indenture Trustee, for the benefit of the Second Lien Noteholders, made on April 10, 2018 in the amount of \$297,231,114.38, no other distributions have been made to the Second Lien Indenture Trustee.

5. I am not currently aware of any asserted claims, pending or threatened, against the non-debtor subsidiaries other than the claims asserted by Halliburton Atlantic Limited and Halliburton Overseas Limited Sucursal de Angola, which the Plan Administrator disputes. I cannot, however, guarantee that there will not be any claims asserted in the future against the non-debtor subsidiaries and/or the Sonangol Proceeds.

6. To the best of my knowledge, information and belief, there are no other known, material, non-contingent assets held by the debtors and non-debtors.

7. I worked with the Plan Administrator and his professionals in making the calculations regarding the proposed distribution to the Second Lien Noteholders of \$365 million from the Sonangol Proceeds, and reserving \$135 million of the Sonangol Proceeds for future distribution. I believe Exhibit A to the Reply accurately reflects the methodology by which the Plan Administrator calculated the proposed amount to distribute to the Second Lien Noteholders. In making his calculations, I believe the Plan Administrator acted prudently and made reasonable assumptions, for purposes of establishing an extremely conservative reserve.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing declaration is true and correct to the best of my knowledge, information and belief.

Dated: September 24, 2018.

A handwritten signature in black ink, appearing to read 'A. Skidmore', written over a horizontal line.

Aaron Skidmore  
Treasurer  
Cobalt International Energy, L.P.

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

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

**ORDER DENYING MOTION OF NADER TAVAKOLI, ACTING SOLELY AS PLAN  
ADMINISTRATOR, FOR ENTRY OF ORDER AUTHORIZING PLAN  
ADMINISTRATOR TO TRANSFER FUNDS IN FURTHERANCE OF THE PLAN  
[Relates to Docket No. 1195]**

On this date, the Court considered the *Motion of Nader Tavakoli, Acting Solely as Plan Administrator, for Entry of an Order Authorizing Plan Administrator to Transfer Funds in Furtherance of the Plan* [Docket No.1196] (the “**Motion**”)<sup>2</sup> filed by *Nader Tavakoli, Acting Solely as Plan Administrator*. The Court having reviewed the Motion, and the *Objection of Halliburton Atlantic Limited and Halliburton Overseas Limited-Sucursal de Angola* filed thereto, finds that cause does not exist to grant the relief requested. Therefore, it is hereby

**ORDERED** that the Motion is DENIED.

SIGNED this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
HONORABLE MARVIN ISGUR  
UNITED STATES BANKRUPTCY JUDGE

<sup>1</sup> The Reorganized Debtors in these chapter 11 cases, along with the last four digits of each Reorganized 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.

<sup>2</sup> All otherwise undefined terms shall have the same meaning ascribed to them in the Motion.