

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

IN RE:)	Chapter 11
)	
TEMPLAR ENERGY LLC, <i>et al.</i> , ¹)	Case No. 20-11441 (BLS)
)	
Debtors.)	Jointly Administered
)	
)	Re: Docket No. 103
)	

**LIMITED OBJECTION AND RESERVATION OF RIGHTS OF PAC PRODUCTION COMPANY, KERRY B. RICE, INC., CATTALO, LTD. AND JOHN R. BUCKTHAL TO NOTICE OF POTENTIAL ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES
AND PROPOSED CURE AMOUNTS**

COMES NOW PAC Production Company, Kerry B. Rice, Inc., Cattalo, Ltd. and John R. Buckthal (collectively, the “**Interest Owners**”),² by and through their undersigned counsel, hereby file this limited objection and reserves all rights (the “**Limited Objection**”) to the *Notice of Potential Assumption and Assignment of Certain Executory Contracts and Unexpired Leases and Proposed Cure Amounts* [Docket No. 103] (the “**Cure Notice**”) ³ filed by the above-captioned debtors and debtors in possession (collectively, the “**Debtors**”). In support of this Limited Objection, the Objectors respectfully state as follows:

1. The Cure Notice identifies various joint operating agreements, letter agreements and other so called miscellaneous agreements between the Debtors and the Interest Owners as

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Templar Energy LLC (4719), TE Holdcorp, LLC (6730), TE Holdings, LLC (3115), TE Holdings II, LLC (N/A), Templar Operating LLC (0810), Templar Midstream LLC (3275), and TE Holdings Management LLC (7467). The address of the Debtors’ corporate headquarters is 4700 Gaillardia Parkway, Suite 200, Oklahoma City, Oklahoma 73142.

² John R. Buckthal is a relative of, holds interests in common with, and is authorized to act on behalf of W. P. Buckthal, an individual. For purposes of this Limited Objection, the interests of W. P. Buckthal are included as one of the Interest Owners.

³ All capitalized terms not defined in this Limited Objection have the meanings ascribed to them in the Cure Notice.



executory contracts to be assumed and assigned.⁴ The cure amount for each of the applicable listed contracts is identified in the Cure Notice as \$0.00.

2. The Interest Owners do not generally object to the Debtors' proposed sale of the estate assets, but file this Limited Objection to clarify the contracts at issue and to assert and preserve rights and claims pertaining to those certain oil, gas and mineral leasehold and real property interests stemming from the contracts, all as set forth herein.

Additional Agreements Between the Debtors and the Interest Owners

3. The Cure Notice lists approximately 25 agreements (the "**Debtor Identified Agreements**") which relate to the one or more of the Interest Owners. Additionally, the Interest Owners have identified another (approximately) 5 agreements with the Debtors affecting properties in Hemphill and Wheeler Counties in Texas (the "**Additional Agreements**" and with the Debtor Identified Agreements, collectively, the "**Agreements**"). Despite that only the Debtor Identified Agreements are expressly disclosed, the Debtors likely intend to include all agreements between the parties as possible assets to be assumed and assigned to the Stalking Horse Bidder. As the Debtors have not disclosed the Additional Agreements as contracts to be assumed and assigned, to the extent the Debtors seek to sell the Additional Agreements without any assumption and assignment of all of the related burdens, and to the extent that any of the Additional Agreements are actually executory contracts, the Interest Owners object to the Sale on those grounds. Notwithstanding, to facilitate a consensual resolution, the Interest Owners have disclosed the Additional Agreements to Debtors' professionals.

⁴ As more fully described below, certain of the Debtor Identified Agreements or other so-called Agreements referenced here may not be executory contracts, but rather evidence or indicia of ownership of mineral interests or overriding royalty interests rather than executory contracts subject to possible assumption or rejection.

Reservation of Rights on Cure Amounts

4. Pursuant to the Agreements and/or under applicable state law, the Debtors owe certain obligations and duties to the Interest Owners, including but not limited to payment to the Interest Owners of their respective share of production proceeds and the segregation and payment of royalties. As of the petition date, the Debtors were current on their obligations to the Interest Owners relating to production proceeds. However, with respect to other obligations relating to oil and gas activities under the Agreements, such obligations remain indeterminate. To the extent such obligations give rise to cure amounts, as these obligations cannot be fully quantified at this time, the Interest Owners reserve all rights to seek quantification at a later time. The Interest Owners reserve all rights against the Debtors under applicable non-bankruptcy law as well as the Interest Owners' rights under the respective Agreements.

Reservation of Rights Regarding Vested Property Rights of Interest Owners

5. The Interest Owners hold certain surface use, mineral interests, working interests, and royalty interests as fully described in the Agreements or in other documents and instruments, including oil, gas, and mineral leases, assignments, mineral deeds, recorded memoranda or other writings. Under applicable non-bankruptcy law, such interests are vested real property rights belonging to the Interest Owners. As such, those interests are not property of the Debtors' estates, and such interests may not legally be sold or assigned by the Debtors through the Sale. *See, e.g.*, 11 U.S.C § 541 (b)(4). The Interest Owners object to the extent the Debtors seek to sell property that they do not own or seek to use the Sale process to obstruct the Interest Owners' rights to the aforementioned interests under the Agreements.

Reservation of Rights Regarding Whether Certain Agreements are Executory

6. Notwithstanding anything stated in this Limited Objection, certain of the documents or instruments described in the Cure Notice as “Debtor Identified Agreements” or described here as “Additional Agreements” may not actually be executory contracts subject to assumption or rejection. Rather, certain of those items may describe or reference existing interests owned by or conveyed to the Interest Owners. Although identification of all “Agreements” is necessary and appropriate in the interest of transparency, and the Interest Owners do not wish to impede any sale, the Interest Owners reserve all rights with respect to the determination of whether any of the so-called Agreements are actually executory contracts.⁵

7. Finally, the Interest Owners expressly reserve their right to amend, supplement, modify, or withdraw this Limited Objection in whole or in part at any time. The Interest Owners do not waive any right it may have by filing this Limited Objection, including without limitation the right to object to and/or raise any issue in connection with the Sale Motion and any proposed Sale transaction. The Interest Owners also reserve the right to further address the Sale Motion, Sale and other ancillary issues raised by the Debtors at any hearing or through any pleading.

[Signature Page Follows]

⁵ For example, joint operating agreements are typically considered to be executory contracts, other so-called agreements may actually be instruments of conveyance or otherwise reference interests held by other working interest or mineral / royalty owners under state law and are not executory. This is consistent with Texas state law that views oil, gas, and mineral leases as fee simple determinable conveyances and not “leases.” Also, items referenced in mineral leases that appear to be executory may actually be covenants that are material components of or burdens that run with the mineral interests conveyed by such “leases.”

Dated: July 7, 2020
Wilmington, Delaware

POLSINELLI PC

/s/ Shanti M. Katona

Shanti M. Katona (Del. Bar No. 5352)

Stephen J. Astringer (Del. Bar No. 6375)

222 Delaware Ave., Suite 1101

Wilmington, Delaware 19801

Telephone: (302) 252-0920

skatona@polsinelli.com

sastringer@polsinelli.com

-and-

Roger Cox (*Admitted Pro Hac*)

UNDERWOOD

P.O. Box 9158

Amarillo, Texas 79105

Telephone: (806) 242-9651

roger.cox@uwlaw.com

*Counsel to PAC Production Company, Kerry B.
Rice, Inc., Cattalo, Ltd. and John R. Buckthal*

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 7th day of July, 2020, a true and correct copy of the foregoing **Limited Objection and Reservation of Rights of PAC Production Company, Kerry B. Rice, Inc., Cattalo, Ltd. and John R. Buckthal to Notice of Potential Assumption and Assignment of Certain Executory Contracts and Unexpired Leases and Proposed Cure Amounts** was served upon all parties of record via CM/ECF and upon the parties listed below via electronic mail.

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019
Attn: Paul M. Basta (pbasta@paulweiss.com)
Robert A. Britton (rbritton@paulweiss.com)
Sarah Harnett (sharnett@paulweiss.com)
Teresa Lii (tlii@paulweiss.com)

Young Conaway Stargatt & Taylor, LLP
1000 N. King Street
Wilmington, Delaware 19801
Attn: Pauline K. Morgan (pmorgan@ycst.com)
Jaime Luton Chapman (jchapman@ycst.com)

Office of the United States Trustee
844 King Street, Suite 2207
Wilmington, Delaware, 19801
Attn: Jane M. Leamy (jane.m.leafy@usdoj.gov)

Morgan, Lewis & Bockius LLP
One Federal Street
Boston, Massachusetts 02110
Attn: Amy L. Kyle (amy.kyle@morganlewis.com)
Andrew J. Gallo (andrew.gallo@morganlewis.com)

Richards, Layton & Finger, P.A.
One Rodney Square
920 North King Street
Wilmington, Delaware 19801
Attn: Mark D. Collins (collins@rlf.com)

/s/ Shanti M. Katona

Shanti M. Katona (Del Bar. No. 5352)