

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION**

IN RE:	§	Chapter 11
	§	
WALTER ENERGY, INC., et al.¹	§	Case No. 15-02741-TOM11
	§	
	§	Jointly Administered

**Dominion Resources Black Warrior Trust’s Objection to
Debtors’ Motion for an Order (A) Authorizing the Debtors
To Obtain Senior Secured Postpetition Financing,
(B) Authorizing Continued Postpetition Use of Cash Collateral,
(C) Granting Adequate Protection to Prepetition Secured Parties
And (D) Granting Related Relief**

Dominion Resources Black Warrior Trust (“Dominion” or the “Trust”) by and through its Trustee, Southwest Bank, files its Objection to Debtors’ Motion for an Order (A) Authorizing the Debtors to Obtain Senior Secured Postpetition Financing, (B) Authorizing Continued Postpetition Use of Cash Collateral, (C) Granting Adequate Protection to Prepetition Secured Parties, and (D) Granting Related Relief (the “DIP Financing Motion”), and in support thereof would show this Court as follows:

1. On December 28, 2015, this Court entered its Memorandum Opinion and order on Walter Black Warrior Basin, LLC’s Motion for Order *Nunc Pro Tunc* (A) Authorizing Walter Black Warrior Basin, LLC to Reject Certain Agreements with

¹ The Debtors in these cases, along with the last four digits of each Debtor’s federal tax identification number are: Walter Energy, Inc. (9953); Atlantic Development and Capital, LLC (8121); Atlantic Leaseco, LLC (5308); Blue Creek Coal Sales, Inc. (6986); Blue Creek Energy, Inc. (0986); J.W. Walter, Inc. (0648); Jefferson Warrior Railroad Company, Inc. (3200); Jim Walter Homes, LLC (4589); Jim Walter Resources, Inc. (1186); Maple Coal Co., LLC (6791); Sloss-Sheffield Steel & Iron Company (4884); SP Machine, Inc. (9945); Taft Coal Sales & Associates, Inc. (8731); Tuscaloosa Resources, Inc. (4869); V Manufacturing Company (9790); Walter Black Warrior Basin LLC (5973); Walter Energy Holdings, LLC (1596); Walter Exploration & Production LLC (5786); Walter Home Improvement, Inc. (1633); Walter Land Company (7709); Walter Minerals, Inc. (9714); and Walter Natural Gas, LLC (1198). The location of the Debtors’ corporate headquarters is 3000 Riverchase Galleria, Suite 1700, Birmingham, Alabama 35244-2359.



Dominion Resources Black Warrior Trust, and (B) Granting Related Relief (the “Memorandum and Order”) at Docket No. 1491.

2. The Memorandum and Order allowed the Debtors to reject as executory contracts the Trust’s 65% overriding royalty interest in the gas obtained from certain oil, gas and mineral leases the Debtors hold in Tuscaloosa County, Alabama.
3. On January 8, 2016, the Trust filed its Notice of Appeal of the Memorandum and Order at Docket No. 1583.
4. The Trust maintains that the 65% overriding royalty interest was an outright purchase of that interest, not an executory contract that the Debtor can reject. The Trust further maintains that the 65% overriding royalty interest is not property of the Debtors’ Estate.
5. Based upon the foregoing, the Trust objects to the DIP Financing Motion for the following reasons:
 - i. It operates to grant the DIP Lenders a super-priority senior secured lien on the assets in which the Trust claims an ownership interest;
 - ii. It operates to grant the DIP Lenders a super priority administrative expense claim against the Debtors on funds the Trust maintains it owns outright;

- iii. Both the Debtors' Monthly Operating Reports and the budget attached as Schedule A to the DIP Financing Motion show that the Debtors are operating at a loss – a clear case for conversion to a Chapter 7 proceeding;
- iv. Given the fact that the Debtor is operating at a loss, the 12% per annum interest rate, the 7.50% Upfront Fee, the 2.5% Drawdown Fee, and the 7.50% Put Option Premium in the DIP Facility are far too expensive for the Debtors;
- v. The Debtors are seeking authorization to pay the fees and expenses of the Administrative Agent, the First Lien Trustee, and their respective counsel as adequate protection without oversight as to the reasonableness of those fees and expenses by this Court;
- vi. The Debtors are seeking authorization to pay the fees and other charges of outside counsel and financial advisors of the DIP Agent, the Backstop Parties and the Steering Committee from the DIP financing funds without oversight as to the reasonableness of those fees and expenses by this Court;
- vii. It operates to lift the automatic stay to allow the DIP Lenders to foreclose on the Debtors' assets in the event of a default without further notice and the opportunity to be heard by the creditors and parties in interest in the Estate; and,

viii. It operates to bind any future Chapter 7 or 11 Trustee to the stipulations, releases and admissions contained in the Order approving the DIP Financing.

WHEREFORE, Dominion Resources Black Warrior Trust prays that this Court deny the relief sought by the Debtors and for such other and further relief, at law and in equity, as this Court deems just.

Respectfully submitted on this the 19th day of January, 2016.

/s/ Thomas B. Humphries

Stephen B. Porterfield, Esq.
Thomas B. Humphries, Esq.

OF COUNSEL:

SIROTE & PERMUTT, P.C.

2311 Highland Avenue South
Birmingham, AL 35205
Tel.: (205) 930-5100
Fax: (205) 930-5101
sporterfield@sirote.com
thumphries@sirote.com

/s/ Julie M. Koenig

Christopher D. Lindstrom
T. Micah Dortch
Julie M. Koenig
(Pending Admissions *pro hac vice*)

OF COUNSEL:

COOPER & SCULLY, P.C.

815 Walker St. #1040
Houston, TX 77002
Tel.: (713) 236-6800
Fax: (713) 236-6880
Chris.Lindstrom@cooperscully.com
julie.koenig@cooperscully.com

COOPER & SCULLY, P.C.

900 Jackson, Suite 100

Dallas, TX 75202

Tel: (214) 712-8500

Fax: (214)-712-9540

Micah.Dortch@cooperscully.com

CERTIFICATE OF SERVICE

I hereby certify that on January 19, 2016, I filed the foregoing pleading with the Clerk of the Court using the CM/ECF system which will send notification to all counsel of record.

/s/ Thomas B. Humphries

OF COUNSEL