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COUNSEL TO THE DEBTORS

**IN THE UNITED STATES BANKRUPTCY COURT FOR THE
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re: § Chapter 11
§
COLORADO 2002B LIMITED § Case No. 16-33743-BJH-11
PARTNERSHIP and COLORADO 2002C §
LIMITED PARTNERSHIP, § Jointly Administered
§
Debtors. § **EXPEDITED HEARING REQUESTED**
§

**EXPEDITED MOTION FOR ORDER AUTHORIZING
PLUGGING OF PARTNERSHIP WELLS**

Colorado 2002B Limited Partnership and Colorado 2002C Limited Partnership, the above-captioned debtors and debtors in possession (collectively, the “Debtors”), for their *Expedited Motion for Order Authorizing Plugging of Partnership Wells* (the “Motion”), respectfully represent:

JURISDICTION AND VENUE

1. The Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A) and (M).
2. Venue in this Court is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

INTRODUCTION

3. On September 24, 2016 (the “Petition Date”), each of the Debtors filed with this Court a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”).

4. The Debtors are continuing to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No trustee, examiner or official committee has been appointed.

5. Atropos Incorporated, by and through its principal, Karen Nicolaou, is the responsible party (the “Responsible Party”) to the Debtors. The application to retain the Responsible Party was approved by the Bankruptcy Court on January 19, 2017.

6. On February 21, 2017, the Debtors filed their Disclosure Statement for Debtors’ Joint Chapter 11 Plan [Docket No. 88, as amended by Docket No. 104] and their accompanying Joint Chapter 11 Plan [Docket No. 87, as amended by Docket No. 103] (the “Plan”). A hearing to consider confirmation of the Plan has been set for May 17, 2017 at 1:15 p.m., prevailing Central Time (the “Confirmation Hearing”).

BACKGROUND

7. The Debtors are West Virginia limited partnerships which, as of the Petition Date, owned undivided working interests in oil and natural gas properties in the DJ Basin in Weld County, Colorado. The primary business of the Debtors is the operation and development of oil and natural gas properties and the appropriate allocation of cash proceeds, costs, and tax benefits among its partners.

8. PDC Energy, Inc. (“PDC”) is the Debtors’ managing general partner and serves as operator for each of the wells in which the Debtors have a working interest. The Plan contemplates the sale of all assets of the Debtors to PDC and the subsequent liquidation of the

Debtors by distributing all cash held or to be received by the Debtors to each Debtor's creditors and equity interest holders.

9. Horizontal wells drilled in the DJ Basin are governed by the Colorado Oil & Gas Conservation Commission's Horizontal Offset Policy.¹ Pursuant to the Horizontal Offset Policy, a horizontal well operator seeking to drill a horizontal well in the DJ Basin must notify the owners of existing wells within 1,500 feet of the proposed horizontal wellbore to determine if those wells are in adequate condition to withstand the drilling and operation of a nearby horizontal well. The existing well operator must either: (i) undertake a wellbore integrity test and remediate any issues or (ii) plug the wellbore.

10. A horizontal well operator ("Horizontal Operator") has notified PDC, as the Debtors' operator, that it intends to drill horizontal wells within 1,500 feet of five partnership wells (the "Subject Wells") commencing in May 2017 and potentially prior to the Confirmation Hearing. The Debtors are currently unable to produce oil and gas in economic quantities from the Subject Wells and do not expect production to improve. As a result, PDC has advised that the Subject Wells should be plugged in advance of the proposed horizontal drilling, rather than conduct a wellbore integrity test and attempt remediation. The Subject Wells are set forth below:

Debtor	Well Name	Location
Colorado 2002B	Foe 33-20	Section 20 of 6N 64W Weld County, CO
Colorado 2002B	State 6525 44-32	Section 32 of 6N 63W Weld County, CO
Colorado 2002C	Wells Ranch 31-5	Section 5 of 5N 63W Weld County, CO
Colorado 2002C	Wells Ranch 14-33	Section 33 of 6N 63W Weld County, CO
Colorado 2002C	Dyer 13-5	Section 5 of 6N 64W Weld County, CO

¹ The Colorado Oil & Gas Conservation Commission's DJ Basin Horizontal Offset policy is available at: http://cogcc.state.co.us/documents/reg/Policies/DJ_Basin_Horizontal_Offset_Policy_20131217.pdf.

11. Pursuant to that certain Wellbore Integrity Agreement by and between Horizontal Operator and PDC, Horizontal Operator has agreed to cover the cost of plugging the Subject Wells, up to \$50,000 per well. If the cost of plugging the Subject Wells exceeds \$50,000, then PDC has agreed to assume such liability pursuant to the Plan. *See* Plan § 6.2(c). Under either scenario, the Debtors' estates will not have to bear the cost of plugging the Subject Wells, and the proposed plugging of the Subject Wells will not alter the transaction with PDC contemplated by the Plan.

12. Based on the foregoing, the Responsible Party has determined that it is in the best interest of the Debtors and their unit holders to plug the Subject Wells. Although the Responsible Party believes that plugging the Subject Wells falls within the ordinary course of the Debtors' business, out of an abundance of caution, the Debtors seek authority pursuant to 11 U.S.C. § 363(b) to plug the Subject Wells, in the event that such plugging needs to commence prior to the Confirmation Hearing while the Debtors still own the Subject Wells.

REQUESTED RELIEF

13. By this Motion, the Debtors requests that the Court enter an order, substantially in the form of Exhibit "A," authorizing the Debtors to plug the Subject Wells pursuant to 11 U.S.C. § 363(b).

ARGUMENT AND AUTHORITIES

14. Section 363(b)(1) of the Bankruptcy Code provides, in pertinent part, that "[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b)(1). A use of property under section 363(b) should be approved when a legitimate business justification for the proposed action is shown. *In re Cont'l Air Lines, Inc.*, 780 F.2d 1223, 1226 (5th Cir. 1986) (for a "trustee to satisfy its fiduciary duty to the debtor, creditors and equity holders, there must be some articulated business

justification for using, selling, or leasing the property outside the ordinary course of business”); *see also Comm. of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063, 1071 (2d Cir. 1983); *Comm. of Asbestos-Related Litigants v. Johns-Manville Corp. (In re Johns-Manville Corp.)*, 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986) (“Where the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor’s conduct”).

15. The Debtors have determined that the plugging of the Subject Wells is in the best interest of their respective estates. As stated earlier, the Subject Wells are not producing in economic quantities and are coming to the end of their useful lives. Thus, the need to plug the Subject Wells is imminent, and the proposed horizontal drilling by Horizontal Operator merely expedites the need to plug. In addition, the Debtors believe that it is prudent to plug the Subject Wells rather than incur the cost to perform integrity tests on wells that are already uneconomic. Either Horizontal Operator or PDC will cover the cost of plugging the Subject Wells, so the burden of that expense will not be borne by the Debtors’ estates. Based on the foregoing, the Debtors believe that the plugging of the Subject Wells is a reasonable exercise of business judgment, and the Motion should be granted.

NOTICE

16. Notice of this Motion has been provided to: (i) counsel to PDC; (ii) the U.S. Trustee; and (iii) the parties appearing on the attached Limited Service List. The Debtors respectfully submit that such notice is appropriate and that no other or further notice need be provided.

WAIVER OF BANKRUPTCY RULE 6004(h)

17. Given the expedited nature of this request, the Debtors request that the Court waive the 14-day stay period under Bankruptcy Rule 6004(h).

CONCLUSION

WHEREFORE, the Debtors request that the Court enter an Order, substantially in the form attached hereto as Exhibit "A" (a) granting the relief requested herein; and (b) granting such other and further relief as may be just and proper.

Respectfully submitted this 1st day of May, 2017.

GRAY REED & McGRAW LLP

By: /s/ Jason S. Brookner

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COUNSEL TO THE DEBTORS

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on the 1st day of May, 2017, she caused a true and correct copy of the foregoing document to be served on the parties appearing on the attached Limited Service List via first class United States mail, postage prepaid and, on those parties who have so-subscribed, via the Court's CM-ECF Notification System.

/s/ Lydia R. Webb

Lydia R. Webb

EXHIBIT "A"

Proposed Order

**IN THE UNITED STATES BANKRUPTCY COURT FOR THE
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

In re:	§ Chapter 11
	§
COLORADO 2002B LIMITED	§
PARTNERSHIP and COLORADO 2002C	§ Case No. 16-33743-BJH-11
LIMITED PARTNERSHIP,	§
	§
Debtors.	§ Jointly Administered

ORDER AUTHORIZING PLUGGING OF PARTNERSHIP WELLS

Upon the *Expedited Motion for Order Authorizing Plugging of Partnership Wells* [Docket No. ____] (the “Motion”) filed by the above-captioned debtors and debtors in possession (collectively, the “Debtors”);¹ and the Court having jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157(a) and 1334; and this matter being a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A); and venue before this Court being proper pursuant to 28 U.S.C. § 1408 and 1409; and the Court being satisfied that the relief requested in the Motion is appropriate and is in the best interests of the Debtors and their respective estates; and it appearing that sufficient notice of the Motion has been given, and that no other or further notice is required; and upon all of the

proceedings had before the Court; and after due deliberation and good cause appearing therefor, it is hereby

ORDERED AS FOLLOWS:

1. The Motion is hereby granted as set forth herein.
2. Pursuant to 11 U.S.C. § 363(b)(1), the Debtors are authorized to immediately commence plugging of the Subject Wells.
3. Notwithstanding the provisions of Bankruptcy Rules 6004 and 6006 or any applicable provisions of the Local Bankruptcy Rules for the Northern District of Texas, this Order shall not be stayed for fourteen (14) days after the entry hereof, but shall be effective and enforceable immediately upon entry. Time is of the essence in closing the transaction referenced herein, and the Seller Debtors and Alliance intend to close the sale of the Appalachia Assets as soon as practicable. Any party objecting to this Order must exercise due diligence in filing an appeal and pursuing a stay, or risk its appeal being foreclosed as moot.
4. This Court shall retain jurisdiction to hear and consider all matter arising from the interpretation or implementation of this Order.

END OF ORDER

¹ Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Motion.