

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

<b>In re:</b>	§	
	§	<b>Case No. 15-35615</b>
<b>RAAM GLOBAL ENERGY COMPANY,</b>	§	
<i>et al.</i>	§	
	§	<b>Chapter 11</b>
<b>Debtors.<sup>1</sup></b>	§	<b>(Jointly Administered)</b>

**BGI GULF COAST, LLC & CHAMPION EXPLORATION, LLC’S OBJECTION TO  
THE DEBTORS’ PROPOSED DISCLOSURE STATEMENT FOR DEBTORS’ JOINT  
PLAN OF LIQUIDATION  
[Relates to Docket Nos. 155, 157]**

BGI Gulf Coast, LLC (“BGI”) and Champion Exploration, LLC (“Champion”), creditors and parties in interest in the above captioned bankruptcy cases, file this Objection (“Objection”) to the Debtors’ Proposed Disclosure Statement for Debtors’ Joint Plan of Liquidation [Docket No. 155] (“Disclosure Statement”) and respectfully represents as follows:

**Background**

1. On October 26, 2015 (the “Petition Date”), the Debtors filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 - 1330 (as amended, the “Bankruptcy Code”). Their cases are being jointly administered for procedural purposes only.

2. The Debtors are operating their businesses and managing their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

3. On November 9, 2015, an official joint committee of unsecured creditors (the “Committee”) was appointed in the Cases.

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<sup>1</sup> The Debtors are RAAM Global Energy Company [2973], Century Exploration New Orleans, LLC [4948], Century Exploration Houston, LLC [9624], Century Exploration Resources, LLC [7252].

4. The Debtors filed the Disclosure Statement and the Debtors' Joint Plan of Liquidation [Docket No. 154] (the "Plan") on November 24, 2015.

5. Champion and BGI own working interests in a number of wells operated by the Debtors both on and offshore in the Gulf of Mexico. In addition, Champion owns a royalty interest in the Breton Sound prospect area offshore Louisiana in state waters. As a co-working interest owner of some of the Debtors' properties, Champion and BGI are parties to a number of joint operating agreements with the Debtors. As of the Petition Date, the Debtors owed Champion and BGI payments for the sale of production on some of the prospects jointly owned by Champion, BGI and the Debtors. In addition, a number of the jointly owned prospects are currently at or near the end of their productive life and will require plugging and abandonment work to be commenced in the near future. Thus, Champion and BGI hold claims against the Debtors, and depending upon the course of this Bankruptcy Case, they may also hold contingent claims against the Debtors.

### **BGI and Champion's Objections**

#### **I. Standard for Approving a Disclosure Statement**

6. In order to be approved, a disclosure statement must satisfy the requirements of 11 U.S.C. § 1125 and contain "adequate information." "Adequate information" is defined as:

information of the kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records that would enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the plan . . . .

11 U.S.C. § 1125(a)(1).

7. As explained by the court in *In re Eastern Maine Elec. Coop., Inc.*, the process of evaluating a disclosure statement involves two stages of analysis. 125 B .R. 329, 332 (Bankr. D. Maine 1991). First, "[i]f the disclosure statement describes a plan that is so 'fatally flawed' that

confirmation is ‘impossible,’ the court should exercise its discretion to refuse to consider the adequacy of disclosures.” *Id*; see also *In re Beyond.com Corp.*, 289 B.R. 138, 140 (Bankr. N.D. Cal. 2003) (explaining that disclosure statement may not be approved when the underlying plan is patently unconfirmable); *In re Silberkraus*, 253 B.R. 890, 899 (Bankr. C.D. Cal. 2000); *In re Allied Gaming Management, Inc.*, 209 B.R. 201, 202 (Bankr. W.D. La. 1997); *In re Market Square Inn, Inc.*, 163 B.R. 64, 68 (Bankr. W.D. Pa. 1994); *Cardinal Congregate I*, 121 B.R. 760, 764 (Bankr. S.D. Ohio 1990) (explaining that disapproval of a disclosure statement may be appropriate when it describes a plan that is so fatally flawed that the plan cannot be confirmed). Assuming that the Debtors satisfy this “initial hurdle,” the disclosure statement’s “adequacy must be evaluated in light of the facts unique to the case.” *In re Eastern Maine Elec. Coop.*, 125 B.R. at 332; see also *In re Texas Extrusion Corp.*, 844 F.2d 1142, 1157 (5th Cir. 1988), *cert. denied*, 488 U.S. 926 (1988) (explaining that the determination of what is adequate information is subjective and made on a case by case basis).

## **II. The Amended Plan is Unconfirmable**

8. BGI and Champion object to the Disclosure Statement because the Plan is unconfirmable on its face. The Debtors’ Plan is a liquidating plan – proposing to sell substantially all of the Debtors’ assets or, at least, all of the Debtors’ valuable assets, for the benefit of its secured lender. The Debtors then propose to abandon certain undisclosed assets, the Gulf of Mexico Federal Oil and Gas Properties.<sup>2</sup> However, as acknowledged in the Plan, as a result of its ownership interests in the Gulf of Mexico Federal Oil and Gas Properties, the

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<sup>2</sup> Pursuant to the Plan, “Gulf of Mexico Federal Oil and Gas Properties” means any rights, interests and title held by any of the Debtors in and to the oil and gas leases more particularly described on [Exhibit 1] attached to this Plan or otherwise filed until the Plan Supplement, and including without limitation, any personal property, fixtures, easements, pipelines, permits or other property of any nature related thereto, including without limitations, any amendments or supplements to such Exhibit.

Debtors are subject to certain Safety Law Obligations<sup>3</sup>, which include plugging and abandonment obligations. Although the Plan states that the proposed abandonment will not “alter” the Debtors’ Safety Law Obligations, the Plan fails to provide any mechanism to satisfy the Safety Law Obligations.

9. Thus, the Plan cannot be confirmed for the following reasons:

- The Plan is not feasible and will likely be followed by a further financial reorganization or liquidation. *See* 11 U.S.C. 1129(a)(11).
- The Plan was not proposed in good faith. The Debtors may not avoid the Safety Law Obligations by abandoning the Gulf of Mexico Federal Oil and Gas Properties. *See* 11 U.S.C. 1129(a)(3).

10. The Plan is not feasible. As set forth above, the Plan fails to provide any ascertainable mechanism for satisfying the Safety Law Obligations related to the Gulf of Mexico Federal Oil and Gas Properties. The Debtors may not avoid the Safety Law Obligations or abandon the Gulf of Mexico Federal Oil and Gas Properties “without formulating conditions that will adequately protect the public's health and safety.” *Midlantic Nat'l. Bank v. New Jersey Dept. of Environmental Protection*, 474 U.S. 494, 507, 106 S. Ct. 755, 88 L. Ed. 2d 859 (1986). Thus, without a mechanism to adequately satisfy the Safety Law Obligations, the Plan is not feasible and will likely fail.

11. The Plan was not proposed in good faith. The Debtors’ Plan is clearly designed to preserve the Debtors’ good, valuable assets for the benefit of its secured lender, while shedding those properties with cumbersome Safety Law Obligations. However, as set forth in *Midlantic*, a debtor-in-possession may not avoid such obligations in bankruptcy. *Id.* The Debtors’ Plan was therefore proposed in bad faith to further an impermissible goal.

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<sup>3</sup> Capitalized terms not defined herein shall have the meanings set forth in the Disclosure Statement.

12. As the Debtors' Plan is patently unconfirmable, the Court should exercise its discretion and refuse to approve the Disclosure Statement.

**III. The Amended Disclosure Statement Does Not Contain "Adequate Information."**

13. BGI and Champion also object to the Debtors' Disclosure Statement because it does not contain the "quantity and quality of information" required by § 1125. *See Cardinal*, 121 B .R. at 764. In *Cardinal*, the court described the following categories of information that may be required in a disclosure statement :

1. The circumstances that gave rise to the filing of the bankruptcy petition;
2. A complete description of the available assets and their value;
3. The anticipated future of the debtor;
4. The source of the information provided in the disclosure statement;
5. A disclaimer, which typically indicates that no statements or information concerning the debtor or its assets or securities are authorized, other than those set forth in the disclosure statement;
6. The condition and performance of the debtor while in Chapter 11;
7. Information regarding claims against the estate;
8. A liquidation analysis setting forth the estimated return that creditors would receive under Chapter 7;
9. The accounting and valuation methods used to produce the financial information in the disclosure statement;
10. Information regarding the future management of the debtor, including the amount of compensation to be paid to any insiders, directors, and/or officers of the debtor;
11. A summary of the plan of reorganization;
12. An estimate of all administrative expenses, including attorneys' fees and accountants' fees;
13. The collectability of any accounts receivable;
14. Any financial information, valuations or pro forma projections that would be relevant to creditors' determinations of whether to accept or reject the plan;
15. Information relevant to the risks being taken by the creditors and interest holders;
16. The actual or projected value that can be obtained from avoidable transfers;
17. The existence, likelihood and possible success of non-bankruptcy litigation;
18. The tax consequences of the plan; and
19. The relationship of the debtor with affiliates.

*Cardinal*, 121 B.R. at 765.

14. The Debtors' Disclosure Statement is deficient or lacks necessary information as set forth herein. Specifically, and most egregiously, the Debtors fail to adequately describe or provide estimates related to potential administrative expense claims. As noted above, the Debtors are subject to potentially substantial liabilities stemming from the Safety Law Obligations related to the Gulf of Mexico Federal Oil and Gas Properties. However, the Debtors' Disclosure Statement fails to describe a mechanism for addressing the Safety Law Obligations related to the Gulf of Mexico Federal Oil and Gas Properties. "No information is not adequate information." *In re J. D. Mfg., Inc.*, 2008 Bankr. LEXIS 2719 (Bankr. S.D. Tex. Oct. 2, 2008).

15. Further, to the extent that a non-debtor party is required to satisfy the Debtors' Safety Law Obligations such party may, as a subrogee to the United States, assert an administrative expense claim against the Debtors' estate. *In re Tri-Union Development Corp.*, 314 B.R. 611 (Bankr. S.D. Tex. 2004); *In re ATP Oil & Gas Corp.*, 2013 Bankr. LEXIS 2608, \*8 (Bankr. S.D. Tex. June 19, 2013). Accordingly, to contain adequate information, the Debtors' Disclosure Statement should adequately describe such potential liabilities. For example, the Debtors should provide good faith estimates of the Safety Law Obligations or any administrative expense claims that may arise from the Debtors' failure to satisfy the Safety Law Obligations. Additionally, the Disclosure Statement should adequately describe the Debtors' ability to satisfy such obligations.

16. Currently, however, creditors and/or parties-in-interest are not able to ascertain even which properties the Debtors propose to abandon, much less the potential costs to satisfy the Safety Law Obligations related to the any abandoned Gulf of Mexico Federal Oil and Gas

Properties. This missing information is crucial because it bears “on the success or failure of the proposals in the plan of reorganization.” *Cardinal*, 121 B.R. at 765.

17. For the foregoing reasons, the Disclosure Statement does not contain adequate information and should, therefore, not be approved by this Court.

WHEREFORE, PREMISES CONSIDERED, BGI and Champion request that the Court deny approval of the Debtors’ Disclosure Statement and grant BGI and Champion such other and further relief to which it is entitled.

Respectfully submitted this 11th day of December 2015.

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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the forgoing pleading was served, upon filing, via the Court’s CM/ECF system upon those parties subscribing thereto.

/s/ David L. Curry, Jr.  
David L. Curry, Jr.