

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

IN RE:	§	
	§	
RAAM GLOBAL ENERGY COMPANY,	§	CASE NO. 15-35615
<i>et al.</i>	§	
	§	(Chapter 11)
	§	(Emergency Hearing Requested)
DEBTORS.	§	
	§	JOINTLY ADMINISTERED

**DEBTORS’ SECOND EMERGENCY MOTION FOR ESTIMATION OF
GENERAL ADMINISTRATIVE, PRIORITY TAX, & OTHER PRIORITY CLAIMS**

THIS MOTION SEEKS AN ORDER THAT MAY ADVERSELY AFFECT YOU. IF YOU OPPOSE THE MOTION, YOU SHOULD IMMEDIATELY CONTACT THE MOVING PARTY TO RESOLVE THE DISPUTE. IF YOU AND THE MOVING PARTY CANNOT AGREE, YOU MUST FILE A RESPONSE AND SEND A COPY TO THE MOVING PARTY. YOU MUST FILE AND SERVE YOUR RESPONSE WITHIN 21 DAYS OF THE DATE THIS WAS SERVED ON YOU. YOUR RESPONSE MUST STATE WHY THE MOTION SHOULD NOT BE GRANTED. IF YOU DO NOT FILE A TIMELY RESPONSE, THE RELIEF MAY BE GRANTED WITHOUT FURTHER NOTICE TO YOU. IF YOU OPPOSE THE MOTION AND HAVE NOT REACHED AN AGREEMENT, YOU MUST ATTEND THE HEARING. UNLESS THE PARTIES AGREE OTHERWISE, THE COURT MAY CONSIDER EVIDENCE AT THE HEARING AND MAY DECIDE THE MOTION AT THE HEARING.

EMERGENCY RELIEF HAS BEEN REQUESTED. IF THE COURT CONSIDERS THE MOTION ON AN EMERGENCY BASIS, THEN YOU WILL HAVE LESS THAN 21 DAYS TO ANSWER. IF YOU OBJECT TO THE REQUESTED RELIEF OR IF YOU BELIEVE THAT THE EMERGENCY CONSIDERATION IS NOT WARRANTED, YOU SHOULD FILE AN IMMEDIATE RESPONSE.

REPRESENTED PARTIES SHOULD ACT THROUGH THEIR ATTORNEY.

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

The above-captioned debtors and debtors in possession (collectively, the “Debtors”)¹ file this *Second Emergency Motion for Estimation of General Administrative, Priority Tax, and Other Priority Claims* (the “Motion”) and respectfully show as follows:

1. Pursuant to 11 U.S.C. § 502(c), the Debtors request that the Court estimate for the purpose of allowance certain general administrative, priority tax, and other priority claims timely asserted in this matter. The general administrative, priority tax, and other priority claims addressed in this Motion should be fixed or liquidated to avoid unduly delaying the administration of the case. *See* 11 U.S.C. § 502(c).

EMERGENCY CONSIDERATION

2. The Court is set to hear, and consider confirmation of, the Second Amended Joint Plan of Liquidation Pursuant to Chapter 11 of the Bankruptcy Code (the “Plan”) on January 19 and January 20, 2016. *See* Dkt. No. 343. The Debtors request emergency consideration of this Motion on or by January 20, 2016, or at a later setting to be discussed at the hearing on January 20, 2016 at 1:30 p.m.

3. The Plan contains a condition to its effectiveness requiring that all General Administrative Claims, Priority Tax Claims, and Other Priority Claims not assumed by the Purchaser be allowed or estimated in an amount less than \$50,000 in the aggregate. *See* Plan § 8.02(h). Through this Motion, the Debtors request that the Court disallow or estimate certain of such claims in an amount less than \$50,000 in the aggregate to satisfy this condition to the Plan’s Effective Date. Failure to so estimate “would unduly delay administration of the case” as currently scheduled. *See* 11 U.S.C. § 502(c) (the bankruptcy court “shall . . . estimate[] for

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

purpose of allowance . . . any contingent or unliquidated claim, the fixing or liquidation of which, as the case may be, would unduly delay the administration of the case”). As a result, the Debtors request that this motion be heard at the same setting as the January 20th hearing on the *First Emergency Motion for Estimation of General Administrative, Priority Tax, & Other Priority Claims* (the “First Motion”), or as soon as possible thereafter.

JURISDICTION AND PROCEDURAL BACKGROUND

4. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157. This Motion is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A).

5. Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

6. On October 26, 2015 (the “Petition Date”), the Debtors each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”), thereby commencing the above-captioned bankruptcy cases (the “Cases”).

7. Since the Petition Date, the Debtors have continued to operate and manage their businesses as debtors in possession pursuant to Bankruptcy Code §§ 1107(a) and 1108.

THE PLAN AND ITS TREATMENT OF GENERAL ADMINISTRATIVE, PRIORITY TAX, AND OTHER PRIORITY CLAIMS

8. The Debtors filed the Plan on December 20, 2015. As a condition precedent to its Effective Date, the Plan provides:

All General Administrative Claims, Priority Tax Claims, or Other Priority Claims that are not assumed by the Purchaser pursuant to the Purchase Agreement and are not to be paid by Purchaser under this Plan (if applicable) shall not be allowed or estimated in an amount greater than \$50,000 in the aggregate.

Plan § 8.02(h).

9. The Court granted the *Debtors’ Motion to Establish Administrative and Priority Claims Bar Date* [Dkt. No. 257] on December 22, 2015 and set January 13, 2016 as the deadline

for filing a claim seeking a higher or superior priority than that of general unsecured creditor pursuant to § 503(b) or otherwise. *See Order Setting Administrative and Priority Claims Bar Date* [Dkt. No. 272] (providing that, with certain exceptions, any request for payment of an Administrative Expense Claim any time between the Petition Date and January 13, 2016, that is not related to the Assets (“Administrative Expense Claim Request”) shall be filed with the Court, on or before January 13, 2016, and any holder of a Priority Claim that is not related to the Assets shall submit a proof of claim (“Priority Proof of Claim”) on or before the same date).

10. On January 10, 2016, the Debtors filed the First Motion requesting that the Court estimate the Subject Claims described therein at zero or disallowing them. That motion addressed claims No. 5, 16, 64, 66, 78, 86, 87, 89, 93, 117, 126, 127, 132, 134, and 137, all of which sought priority treatment under the Bankruptcy Code.

11. The instant Motion similarly addresses additional claims seeking priority or administrative expense treatment and not previously addressed in the First Motion. The instant Motion addresses the following claims: Claim Nos. 138, 145, 156, 159, 160, 162, 169, 170, and 172-176 (the “Additional Subject Claims”).

12. Taxing authorities have asserted Additional Subject Claims as listed in the following chart:

Claim No.	Creditor ID	Creditor Name	Claimed Priority
138	17007	Internal Revenue Service	\$2,293,817.93
145	21020	Louisiana Dep’t of Revenue	\$7,068.64
169	21020	Louisiana Dep’t of Revenue	\$5,200

13. The following Additional Subject Claims have been asserted seeking priority treatment:

Claim No.	Creditor Name	Claimed Priority
156	Inland Services	\$66,127.94
159	Carolyn Sapp	\$497.73
160	Louis Taylor	\$497.73
162	Melissa Henson	“monthly pymt varies” \$284.70

14. The following Additional Subject Claims have been asserted seeking administrative expense treatment:

Claim No.	Creditor Name	Claimed Administrative Expenses
170	Berrenda Mesa Water District (Dkt. No. 335)	Not stated
172 & 173	Offshore Rental, Ltd. (Dkt. No. 346)	\$9,616.92
174	Lakeside Energy Partners Participation, Ltd. and Flint Interests II, LLC (Dkt. No. 350)	\$3,554.05
175	BGI Gulf Coast, LLC & Champion Exploration, LLC (Dkt. No. 352)	Not stated
176	City National Bank (Dkt. No. 353)	Not stated

15. As explained in detail below, the Debtors’ position is that each of the Additional Subject Claims are either (i) non-priority claims under the Bankruptcy Code that should be treated as such, (ii) claims that should be estimated as set forth herein, or (iii) claims that will be paid in the ordinary course of business.

RELIEF REQUESTED

I. EMERGENCY ESTIMATION OF POTENTIAL CLAIMS IS WARRANTED

16. By this Motion, the Debtors request that the Court estimate the Additional Subject Claims. Bankruptcy Code § 502(c) provides that the bankruptcy court “shall . . . estimate[] for purpose of allowance . . . any contingent or unliquidated claim, the fixing or liquidation of

which, as the case may be, would unduly delay the administration of the case.” Estimation is appropriate in order to fix the amount of the Additional Subject Claims contemporaneously with Plan consideration to avoid unduly delaying the case. Indeed, estimation is “mandatory” to establish the potential status and validity of a claim “for purposes of formulating a reorganization plan” “when liquidation outside of bankruptcy would unduly delay the administration of the case.” *In re Fed.-Mogul Glob., Inc.*, 330 B.R. 133, 154 (D. Del. 2005).

17. Thus, it is appropriate for the Court to estimate these claims at this stage, so that plan confirmation can proceed on schedule.

II. Tax Claims Should be Estimated as Explained Below.

18. The following Additional Subject Claims have been filed by taxing authorities and should be estimated as follows:

Claim No.	Creditor ID	Creditor Name	Claimed Priority	Estimated Tax Claim
138	17007	Internal Revenue Service	\$2,293,817.93	Disallowed or \$0.00
145	21020	Louisiana Dep’t of Revenue	\$7,068.64	Disallowed or \$0.00
169	21020	Louisiana Dep’t of Revenue	\$5,200	\$730.10

19. The IRS alleges that Century Exploration New Orleans, LLC has U.S. federal income tax liability exceeding \$2,000,000. This entity, however, is disregarded for tax purposes.² Its results from operations are consolidated with RAAM for tax purposes, and it would not ever file a tax return or owe federal income taxes. The remaining amounts claimed, approximately \$190,000, relate to payroll taxes. According to the books and records of the Debtors, all due and owing withholding payroll taxes have been timely remitted through ADP in

² See I.R.S. Public. No. 3402, at 2-3 (Nov. 2014), available at <https://www.irs.gov/pub/irs-pdf/p3402.pdf> (“If an LLC has only one member and is classified as an entity disregarded as separate from its owner, its income, deductions, gains, losses, and credits are reported on the owner’s income tax return **Note.** The LLC should not file an income tax return.”).

the ordinary course of business, per the Debtors' normal practice. Therefore, claim No. 138 from the IRS should be estimated at zero for the purposes of this Motion.

20. The claims from the Louisiana Department of Revenue ("LDR") seek priority treatment for \$12,268.64, comprised of alleged oilfield gas and oil fee liabilities and severance liabilities. According to the Debtors' books and records, nearly all of the asserted amounts already were paid to LDR, or are not owed because the applicable Debtor did not produce oil during the referenced period. Century Exploration Houston, LLC ("Century Houston") is liable for oilfield gas fee liability in the amount of \$92.26 for the third quarter of 2015, but has not yet paid such amount. Century Houston has not yet received the invoice from LDR for the oilfield gas fee liability for the fourth quarter of 2015, but LDR has asserted a claim in this case for \$100 for the fourth quarter. Century Houston also has not yet paid \$537.84 for November 2015 gas severance liability, and has had no production in December for which there would be severance liability. Thus, LDR's claim should be estimated at \$730.10.

III. Alleged Priority Claims Should Be Disallowed or Estimated at Zero.

21. The claims listed in the chart below were improperly filed as priority claims and do not qualify for priority treatment:

Claim No.	Creditor Name	Claimed Priority	Comment	Estimated Amount
156	Inland Services	\$66,127.94	Trade Creditor	Disallowed or \$0.00
159	Carolyn Sapp	\$497.73	Royalties, not priority	Disallowed or \$0.00
160	Louis Taylor	\$497.73	Royalties, not priority	Disallowed or \$0.00
162	Melissa Henson	"monthly pymt varies" \$284.70	Royalties, not priority	Disallowed or \$0.00

22. Claim No. 156 is for trade payables of Inland Services, Inc., which are not accorded priority under the Bankruptcy Code. *See* 11 U.S.C. § 507(a)(1)-(10). Inland Services has not sought administrative expense treatment, and did not file an Administrative Expense Claim Request with the Court by the bar date. Therefore, Inland Services is not eligible for administrative expense treatment, either. As a result, this claim should be estimated at zero for priority treatment or, alternatively, disallowed as a priority claim.

23. Claims for royalties are not accorded priority under the Bankruptcy Code. *See* 11 U.S.C. § 507(a)(1)-(10). Therefore, claim nos. 159, 160, and 162 should be estimated at zero for priority treatment, or, alternatively, disallowed as priority claims.

IV. Alleged Administrative Expense Claims Should Be Estimated As Shown Below.

24. The alleged administrative expense claims listed in the chart below should be estimated as follows:

Claim No.	Creditor Name	Claimed Administrative Expenses	Estimated Amount of Administrative Claim
170	Berrenda Mesa Water District (Dkt. No. 335)	Not stated	\$0.00
172 & 173	Offshore Rental, Ltd. (Dkt. No. 346)	\$9,616.92	\$0.00
174	Lakeside Energy Partners Participation, Ltd. and Flint Interests II, LLC (Dkt. No. 350)	\$3,554.05	\$0.00
175	BGI Gulf Coast, LLC & Champion Exploration, LLC (Dkt. No. 352)	Not stated	\$0.00
176	City National Bank (Dkt. No. 353)	Not stated	\$0.00

25. Claim No. 170 (Berrenda). This claim is comprised of prepetition royalties, which are not entitled to administrative treatment and should be treated as general unsecured

claims or disallowed. The Debtors' books and records indicate that no post-petition royalties are owed.

26. Claim Nos. 172 & 173 (Offshore). Offshore asserted a claim for \$17,609.84, but the invoices attached to such claim add only to \$13,042.84. The approximately \$4,500 difference is unaccounted for and should be disallowed. Of the invoiced amounts, \$9,487.10 is for post-petition work. The remaining \$3,555.74 accrued pre-petition. The Debtors will propose at the confirmation hearing that the Purchaser will pay any valid Claims of trade vendors arising after the Petition Date and before the Effective Date relating to Excluded Assets to the extent that such Claims would have been paid by the Debtors under the Budget (as defined in the Cash Collateral Orders) and the Cash Collateral Orders.

27. Claim No. 174 (Lakeside). Lakeside and the Debtors have agreed upon language to be included in the proposed sale order to settle Lakeside's claim, which should accordingly be estimated at zero.

28. Claim No. 175 (BGI & Champion). The Debtors are working on a settlement of this claim, which references royalties and potential plugging and abandonment liabilities. Pre-petition royalties are not entitled to administrative expense treatment and should be treated as general unsecured claims or disallowed. As to any claim for post-petition royalties, the Debtors will propose at the confirmation hearing that the Purchaser will pay any valid Claims of holders Mineral and Other Interests (as defined in the Royalty Motion) arising after the Petition Date and before the Effective Date relating to the Excluded Assets (as defined in the Stalking Horse APA). ACE American Insurance Company has agreed to pay, up to the amount of its bonds, the Debtors' share of any plugging and abandonment liabilities on federal offshore leases. The Debtors will introduce evidence at the confirmation hearing showing that ACE's agreement-to-

pay is sufficient to cover the contingent plugging and abandonment liabilities referenced in this claim. Finally, according to the Debtors' books and records, BGI and Champion owe a gross amount to the Debtors of approximately \$400,000.

29. Claim No. 176 (City National Bank). This claim is comprised of prepetition royalties, which are not entitled to administrative treatment and should be treated as general unsecured claims or disallowed. The Debtors' books and records indicate that no post-petition royalties are owed. This claim also asserts attorneys' fees, but the creditor did not make a substantial contribution to the Debtors' estates. Therefore, there are no grounds for payment of this creditor's attorneys' fees, which should be disallowed. Finally, this claim references contingent plugging and abandonment liabilities, but such liabilities are proposed to be assumed by Prothro Energy Services LLC (*see* Dkt. No. 327), are not expected to fall upon City National Bank, and should be disallowed.

NOTICE

30. Notice of this Motion has been provided by e-mail, facsimile, or overnight delivery to the creditors whose claims the Debtors are seeking to have estimated.

PRAYER

The Debtors respectfully request that this Court enter an Order estimating or disallowing the Additional Subject Claims as set forth herein, and granting such other and further relief to which the Debtors may be justly entitled.

Dated: January 15, 2016

Respectfully submitted,

VINSON & ELKINS LLP

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**ATTORNEYS FOR THE
DEBTORS**

CERTIFICATE OF SERVICE

I certify that on January 15, 2016, I caused a copy of the foregoing document to be served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Bradley R. Foxman
One of Counsel