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

In re: § Chapter 11
§
ROCKIES REGION 2006 LIMITED § Case No. 18-33513-sgj-11
PARTNERSHIP and ROCKIES REGION §
2007 LIMITED PARTNERSHIP,¹ § (Jointly Administered)
§
Debtors. §

**PDC ENERGY, INC.’S APPLICATION FOR ALLOWANCE
AND PAYMENT OF ADMINISTRATIVE EXPENSE CLAIM**

NO HEARING WILL BE CONDUCTED HEREON UNLESS A WRITTEN RESPONSE IS FILED WITH THE CLERK OF THE UNITED STATES BANKRUPTCY COURT AT 1100 COMMERCE ST., RM. 1254, DALLAS, TX 75242-1496 BEFORE CLOSE OF BUSINESS ON NOVEMBER 19, 2019, WHICH IS AT LEAST 21 DAYS FROM THE DATE OF SERVICE HEREOF.

ANY RESPONSE SHALL BE IN WRITING AND FILED WITH THE CLERK, AND A COPY SHALL BE SERVED UPON COUNSEL FOR THE MOVING PARTY PRIOR TO THE DATE AND TIME SET FORTH HEREIN. IF A RESPONSE IS FILED A HEARING MAY BE HELD WITH NOTICE ONLY TO THE OBJECTING PARTY.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number are: Rockies Region 2006 Limited Partnership (9573) and Rockies Region 2007 Limited Partnership (8835).

IF NO HEARING ON SUCH NOTICE OR MOTION IS TIMELY REQUESTED, THE RELIEF REQUESTED SHALL BE DEEMED TO BE UNOPPOSED, AND THE COURT MAY ENTER AN ORDER GRANTING THE RELIEF SOUGHT OR THE NOTICED ACTION MAY BE TAKEN.

PDC Energy, Inc. (“PDC”), a creditor and party in interest in the above-captioned cases (the “Cases”) and managing general partner of Rockies Region 2006 Limited Partnership (“RR06”) and Rockies Region 2007 Limited Partnership (“RR07” and together with RR06, the “Debtors” or the “Partnerships”) files this application (the “Application”) for allowance and payment of its administrative expense claim. In support of this Application, PDC respectfully submits as follows:

I. SUMMARY OF RELIEF REQUESTED

1. PDC requests allowance and payment of \$184,635 from RR06 and \$204,253 from RR07, for an aggregate amount of \$388,888 as an administrative expense claim (the “PDC Administrative Claim”) in unpaid expenses borne by PDC for post-petition operations of the Debtors’ assets, net of any associated revenue and excluding any plugging and abandonment costs.

2. PDC seeks allowance and payment of the PDC Administrative Claim pursuant to 11 U.S.C. § 503(b)(1)(A) as actual and necessary costs and expenses of preserving the estates.

II. JURISDICTION AND VENUE

3. The United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the “Court”) has jurisdiction to consider this Application pursuant to 28 U.S.C. § 1334. Consideration of this Application is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(A), (B), and (O).

4. Venue of this proceeding is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

III. BACKGROUND

A. Procedural Background

5. On October 30, 2018 (the “Petition Date”), the Debtors each filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the “Court”). The Debtors’ Cases are being jointly administered under Case No. 18-33513-SGJ-11.

6. On October 30, 2018, the Debtors filed the *Application for Order (i) Authorizing the Retention of Harney Management Partners to Provide the Debtors a Responsible Party and Certain Additional Personnel, (ii) Designating Karen Nicolaou as Responsible Party for the Debtors Effective as of the Petition Date, and (iii) Granting Related Relief* [Docket No. 12].

7. On August 26, 2019, the Court entered the *Order (I) Authorizing the Retention of Harney Management Partners to Provide Responsible Party and Additional Personnel, (II) Designating Karen Nicolaou as Responsible Party for the Debtors Effective as of the Petition Date and (III) Granting Related Relief* [Docket No. 247].

8. On October 3, 2019 (the “Confirmation Date”), the Court entered its *Findings of Fact, Conclusions of Law, and Order Confirming Amended Joint Chapter 11 Plan* [Docket No. 271] (the “Confirmation Order”), confirming the *Debtors’ Amended Joint Chapter 11 Plan* [Docket No. 226, with the final solicitation version appearing at Docket No. 251 and a technical correction to same appearing at Docket No. 252] (as modified, amended or supplemented from time to time, the “Plan”).²

9. In accordance with the terms of the Confirmation Order and section 2.1 of the Plan, all holders of Administrative Expense Claims, other than (i) holders of LP Plaintiffs’ Substantial

² All capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan.

Contribution Claims and (ii) Professional Persons holding Fee Claims, shall file with the Bankruptcy Court a request for payment of such Claims within fourteen (14) days after the Effective Date. The Effective Date of the Plan occurred on October 21, 2019 [Docket No. 284].

B. PDC Administrative Claim

10. Before the commencement of these Cases, the Debtors would reimburse PDC for expenses incurred as operator of the Debtors' oil and gas assets. During the Cases, PDC continued to serve as operator of the Debtors' oil and gas assets, but the Debtors did not have sufficient cash to reimburse PDC for the monthly operational expenses. Throughout these Cases, PDC paid these post-petition operating expenses on the Debtors' behalf without any reimbursement.

11. PDC maintained records of the expenses borne by PDC for post-petition operations of the Debtors' assets, net of any associated revenue and excluding any plugging and abandonment costs. A summary of these expenses allocated between RR06 and RR07 is set forth in **Exhibit A** and **Exhibit B**, respectively, to this Application. The total due to PDC from RR06 is \$184,635, and the total due to PDC from RR07 is \$204,253, for an aggregate amount of \$388,888.

12. During these Cases, Karen Nicolaou, as the Responsible Party, was tasked with addressing, among other things, the Debtors' inability to satisfy ongoing operational expenses. As part of the PDC Settlement set forth in section 6.2 of the Plan, Ms. Nicolaou negotiated a resolution with PDC regarding the unreimbursed expenses owed to PDC.

13. Specifically, under the Plan, PDC preserved its right to file an application for the allowance and payment of the PDC Administrative Claim, which is defined as follows:

PDC Administrative Claim means the costs and expenses borne by PDC for postpetition operations of the Debtors' assets, net of any associated revenue, which remain unreimbursed to PDC as of the date the Plan is confirmed; provided, however, that (i) the PDC Administrative Claim shall not include any post-petition plugging and abandonment costs and expenses incurred by PDC on the Debtors'

behalf; and (ii) the amount of the PDC Administrative Claim shall not, under any circumstances, exceed \$500,000.

14. Pursuant to section 6.2 of the Plan, the PDC Administrative Claim shall be paid out of the \$3,000,000 Administrative Reserve funded by PDC.

IV. RELIEF REQUESTED

15. PDC requests allowance and payment of the PDC Administrative Claim as an administrative expense claim in the total amount of \$388,888 in unpaid expenses borne by PDC for post-petition operations of the Debtors' assets, net of any associated revenue and excluding any plugging and abandonment costs.

16. Section 503(b) of the Bankruptcy Code provides a non-exhaustive list of the categories of expenses entitled to administrative priority status. *See* 11 U.S.C. § 503(b). PDC seeks reimbursement under Section 503(b)(1)(A) for the operating expenses borne by PDC post-petition as actual and necessary costs and expenses of preserving the estates.

17. Under Section 503(b)(1)(A) of the Bankruptcy Code, an administrative expense shall be awarded for "the actual, necessary costs and expenses of preserving the estate." 11 U.S.C. § 503(b)(1)(A). "An 'actual and necessary cost' must have been of benefit to the estate and its creditors." *Tex. v. Lowe (In re H.L.S. Energy Co., Inc.)*, 151 F.3d 434, 437 (5th Cir. 1998) (citing *In re TransAmerican Natural Gas Corp.*, 978 F.2d 1409, 1416 (5th Cir. 1992)). "The 'benefit' requirement has no independent basis in the [Bankruptcy] Code, however, but is merely a way of testing whether a particular expense was truly 'necessary' to the estate: If it was of no 'benefit,' it cannot have been 'necessary.'" *Id.*

18. A *prima facie* case under Section 503(b)(1) may be established by providing evidence that "(1) the claim arises from a transaction with the debtor-in-possession; and (2) the goods or services supplied enhanced the ability of the debtor-in-possession's business to function

as a going concern.” *In re TransAmerican Natural Gas Corp.*, 978 F.2d at 1416. “Preservation may also include and be a means to other ends in the administration of an estate, such as the continuation of the business or an orderly liquidation.” *In re ATP Oil & Gas Corp.*, 2014 WL 1047818, at *3 (Bankr. S.D. Tex. Mar. 18, 2014) (citing Lawrence P. King, ed., 4 Collier on Bankruptcy ¶ 503.06[1] (16th rev. ed. 2010)). Accordingly, in interpreting whether an applicant’s services “aided in ‘preserving the estate,’ the services do not have to relate solely to the continuation of the business as a going concern, but can also aid the debtor in achieving an orderly liquidation or abandonment.” *Id.* at *3.

19. The first prong for establishing an administrative expense under Section 503(b)(1) is satisfied because the Debtors’ and PDC’s executed operating agreements, which remained in full force and effect post-petition, establish that PDC’s claim arises from a transaction with the debtors. The second prong is also satisfied. During these Cases, PDC covered all expenses of the Debtors, as operator of the Debtors’ wells, paying the Debtors’ operating expenses when revenue from operations was insufficient to cover expenses. PDC’s necessary services and payment of these expenses aided the Debtors’ operations during these Cases and maximized the assets’ value for a sale which benefited all stakeholders.

V. CONCLUSION

20. Accordingly, PDC requests entry of an order (i) allowing PDC an administrative expense claim in the amount of \$184,635 against RR06 and \$204,253 against RR07, for an aggregate amount of \$388,888, in satisfaction of the PDC Administrative Claim; (ii) authorizing and directing the Debtors to pay PDC their respective portions of \$388,888 upon the later of (a) the Effective Date, or (b) fourteen days after entry of an order by the Court allowing the PDC

Administrative Claim; and (iii) granting PDC such other and further relief as the Court deems just and proper.

Dated: October 29, 2019

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the forgoing document was served on October 29, 2019 via the Court's Electronic Case Filing notification system on those parties registered to receive such notices and via email and/or first-class, U.S. Mail on the following parties entitled to notice pursuant to the Confirmation Order:

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