

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:)	
)	Chapter 11
SAMSON RESOURCES CORPORATION, <i>et al.</i> , ¹)	Case No. 15-11934 (CSS)
)	
Debtors.)	(Jointly Administered)
)	
)	Re: Docket No. 1322, 1349

**OMNIBUS REPLY IN SUPPORT OF DEBTORS' MOTION
FOR ENTRY OF AN ORDER (I) ESTABLISHING BIDDING
PROCEDURES AND GRANTING RELATED RELIEF AND
(II) APPROVING THE SALE OF CERTAIN ASSETS FREE AND
CLEAR OF LIENS, CLAIMS, ENCUMBRANCES, AND INTERESTS**

The above-captioned debtors and debtors in possession (collectively, the "Debtors") file this omnibus reply to the objections (collectively, the "Objections") filed by: (a) Chesapeake Operating, LLC ("Chesapeake") [Docket No. 1485]; (b) EnerVest Operating LLC ("EnerVest") [Docket No. 1486]; (c) SAP America, Inc. ("SAP") [Docket No. 1488]; (d) J-W Power Company ("J-W Power") [Docket No. 1490]; (e) Seitel Data, Ltd. ("Seitel") [Docket No. 1489]; (f) A2D Technologies, Inc. d/b/a TGS Geological Products and Services ("TGS") [Docket No. 1459]; (g) Cabot Oil & Gas Corporation ("Cabot") [Docket Nos. 1491 and 1500]; (h) Ronman Trucking, LLC ("Ronman") [Docket No. 1378], and (i) the United States government [Docket No. 1501]; and respectfully state the following in support of the *Debtors' Motion for Entry of an Order (I) Establishing Bidding Procedures and Granting Related Relief and (II) Approving the Sale of Certain Assets Free and Clear of Liens, Claims, Encumbrances, and Interests* [Docket

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, include: Geodyne Resources, Inc. (2703); Samson Contour Energy Co. (7267); Samson Contour Energy E&P, LLC (2502); Samson Holdings, Inc. (8587); Samson-International, Ltd. (4039); Samson Investment Company (1091); Samson Lone Star, LLC (9455); Samson Resources Company (8007); and Samson Resources Corporation (1227). The location of parent Debtor Samson Resources Corporation's corporate headquarters and the Debtors' service address is: Two West Second Street, Tulsa, Oklahoma 74103.

No. 1332] (the “Sale Motion”) and the *Supplement to Debtors’ Motion for Entry of an Order (I) Establishing Bidding Procedures and Granting Related Relief and (II) Approving the Sale of Certain Assets Free and Clear of Liens, Claims, Encumbrances, and Interests* [Docket No. 1349] (the “Sale Motion Supplement”):

Introduction

1. Approval of the proposed sales would mark a major accomplishment for the Debtors in these chapter 11 cases. While a consensual plan of reorganization has been difficult to attain, *all* of the Debtors’ core economic stakeholders fully support the proposed transactions. That support is a testament to the Debtors’ efforts to include and collaborate with their primary constituents on the sale process, as well as the robust marketing the Debtors undertook over many months and the favorable bids received on the assets being sold.

2. No party has challenged the proposed Sale Transactions (or the Debtors’ business judgment in choosing to pursue them). Instead, the only filed objections all seek to protect parochial interests of the objecting parties. The Debtors have worked quickly and diligently to resolve certain of these objections through the addition of clarifying language to the proposed sale orders and will continue to discuss potential resolutions with the objecting parties, the buyers, and other key parties in interest. While certain objections remain outstanding, the Debtors are hopeful that all will be resolved before the sale hearing. To the extent any objections remain unresolved, however, the Debtors submit, for the reasons explained below, that those objections should be overruled.

Reply

I. The United States’ Objection.

3. The Debtors have also been in discussions with the United States government regarding two core concerns. First, the United States requested that the orders approving the

sales make clear that certain environmental liabilities and obligations are unaffected. Second, the United States is the lessor under a number of the Debtors' oil and gas leases that are subject to the sales and, in respect of those leases, requested that the sale orders provide for the preservation of certain obligations to and rights of the United States government in that capacity. The objection filed by the United States concerns this second issue. The proposed form of sale order filed by the Debtors includes proposed language that would resolve both issues, and the Debtors will work to finalize those terms; however, the United States' objection remains outstanding at this time while the orders are finalized.

4. The Debtors have been working for months with multiple agencies of the United States government to reconcile the purported amounts outstanding, as asserted in the proofs of claim filed by these agencies. These efforts have proven fruitful. In fact, the government acknowledges in its objection that it “believes that the amount of outstanding underpaid oil and gas royalty amounts may be *significantly less*” than the amount it stated in the claim that it filed. [Docket No. 1501 at 6] (emphasis added). The Debtors believe that the final cure amount owed to the United States government will approach \$0 and, in any event, will be resolved to the satisfaction of the government so as to obtain its consent to the proposed sales, as required by the Anti-Assignment Act, 31 U.S.C. § 3727.

II. Working Interest Owners' Objections.

5. Three entities—Chesapeake, EnerVest, and Cabot (collectively, the “Working Interest Owners”)—filed objections seeking protection of their respective oil and gas interests and rights under related agreements with the Debtors, including certain lien rights. These objections fail. The terms of the sales do not purport to impair those interests in any way, and the Debtors have and will demonstrate that any outstanding obligations have been cured and that adequate assurance has been provided with respect to the relevant agreements.

6. First, the interests belonging to the Working Interest Owners are *not* being sold for the simple reason that the Debtors' do not own them. It is fundamental to the chapter 11 process that a debtor's estate generally consists only of the property interests owned by the debtor as of the filing of the petition. *See* 11 U.S.C. § 541. State law defines the scope of those property interests. *See Butner v. United States*, 440 U.S. 48 (1979). Nothing in the Bankruptcy Code empowers the Debtors to sell a property interest that they do not own, nor do the purchase agreements or sale orders here purport to accomplish such a result.

7. Indeed, as to Cabot's objection, the West Anadarko purchase agreement expressly acknowledges the contingencies around Cabot's litigation regarding its property interest by including Cabot's lawsuit in the agreement's schedules. This alone should resolve Cabot's objection. Cabot is the plaintiff in a title dispute against certain Samson entities (as well as other parties). The Cabot title suit has been scheduled in the asset purchase agreement for the West Anadarko Assets, and the buyer for those assets will acquire only the title the litigation court determines Samson is able to convey. The Debtors are in discussions with Cabot regarding comfort language to resolve its objection, but, to the extent no agreement can be reached, the Court should overrule its objection as unnecessary.

8. Further, certain of the rights and interests raised by the Working Interest Owners are, in fact, to be honored by the buyers. In particular, the buyers are assuming many joint operating agreements, and it is black-letter law that an assignee takes on all of the obligations under a debtor's executory contract. *See In re Buffets Holdings, Inc.*, 387 B.R. 115, 119 (Bankr. D. Del. 2008) (holding contract assumption must apply to all terms of assumed contract, and parties "may not pick and choose only favorable terms to be assumed"). This includes the issue of production imbalances raised by certain of the Working Interest Owners. Production

imbalances result when one working interest owner is allocated or markets more hydrocarbons than it is entitled to over a given period, which necessarily means another working interest owner receives less than its entitlement for such period. These imbalances may fluctuate every day and, based on the terms of the applicable governing documents, are generally reconciled via an accounting true-up at the end of the applicable period. In other words, the parties to an agreement governing the treatment of imbalances will settle any and all outstanding imbalances by an accounting adjustment mechanism. Thus, when a buyer assumes an agreement governing imbalances, it assumes the continuing obligation to perform the accounting true-up regarding imbalances set forth therein.

9. Finally, to the extent the Debtors do seek to sell their own interests free and clear of any claims or interests of the Working Interest Owners, including any liens or rights of setoff they may hold by operation of applicable joint operating agreements, they are entitled to do so under the Bankruptcy Code. Section 363(f) of the Bankruptcy Code permits a debtor to sell property free and clear of another party's interest in the property if: (1) applicable nonbankruptcy law permits such a free and clear sale; (2) the holder of the interest consents; (3) the interest is a lien and the sale price of the property exceeds the value of all liens on the property; (4) the interest is the subject of a bona fide dispute; or (5) the holder of the interest could be compelled in a legal or equitable proceeding to accept a monetary satisfaction of its interest. *See* 11 U.S.C. § 363(f). A debtor is only required to satisfy any one of these five conditions to permit a free and clear sale. *See In re Kellstrom Indus., Inc.*, 282 B.R. 787, 793 (Bankr. D. Del. 2002) (“[I]f any of the five conditions are met, the debtor has the authority to conduct the sale free and clear of all liens.”).

10. Here, the proposed sales satisfy section 363(f)(5) of the Bankruptcy Code. The Working Interest Owners will retain recourse against the Debtors' estates for any claims they may have that are not assumed by the buyers. And any such claims secured by valid liens against the assets to be sold will be secured by liens that will attach to the proceeds of the sales with the same validity and priority they had against the assets. (*See* [Docket No. 1507, ¶ 8].) For the foregoing reasons, the Working Interest Owners' objections should be overruled.

III. Licensors' Objections.

11. Three entities that license software to the Debtors, SAP, Seitel, and TGS (collectively, the "Licensors") object to assignment of their applicable software and data licenses.

12. None of the Licensors' licenses are being assumed and assigned in the proposed sales. The Debtors intend to include negotiated language in the proposed sale orders confirming that none of the Licensors' licenses will be assigned to the proposed buyers. Accordingly, the Licensors' objections are generally moot and should be overruled.

13. However, the Debtors have agreed to provide certain transition services to the buyers that will implicate the use of SAP's software, and SAP has asserted its consent is required under the license for the Debtors to provide such services and, therefore, for the sales to be approved. The Debtors are in active discussions with SAP regarding that consent and will take steps to ensure that no use of the license violates its terms, absent SAP's consent.

IV. The J-W Power Objection.

14. J-W Power's objection concerns certain executory contracts with the Debtors. J-W Power's objection seeks to confirm that no contracts are being assumed or assigned to buyers. They are not. The Debtors intend to incorporate the proposed confirmatory language in

each of the proposed sale orders and expect that this objection will be resolved and withdrawn. To the extent it is not, it should be overruled.

V. The Ronman Objection.

15. Ronman, a trade creditor, objects to the asset sales to the extent such sale would extinguish or affect claims or defenses Ronman has against the Debtors or third parties. The Debtors believe that a consensual resolution to that objection has been achieved and that the objection will be withdrawn. To the extent Ronman has any claim that is secured by a valid lien remaining after the sale, however, it will attach to the proceeds.

Conclusion

16. For the reasons set forth above and in the Sale Motion and the Sale Motion Supplement, the Debtors respectfully request that the Court overrule the objections and grant approval of the Debtors' asset sales set forth in the Sale Motion and the Sale Motion Supplement.

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WHEREFORE, the Debtors respectfully request that the Court enter the Order granting the Sale Motion and the Sale Motion Supplement and such other relief as the Court deems appropriate under the circumstances.

Dated: October 13, 2016
Wilmington, Delaware

/s/ Domenic E. Pacitti

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