

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

In re:

Quicksilver Resources Inc., et al.,¹

Debtors.

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Chapter 11

Case No. 15-10585 (LSS)

Jointly Administered

Hearing Date: Dec. 10, 2019 at 4:00 p.m. (ET)

Obj. Deadline: Dec. 2, 2019 at 4:00 p.m. (ET)

**LIQUIDATION TRUSTEE'S MOTION FOR AN ORDER
PURSUANT TO SECTION 505 OF THE BANKRUPTCY
CODE GRANTING THE LIQUIDATION TRUST'S RIGHTS TO
CERTAIN TAX REFUNDS AND AUTHORIZING DISTRIBUTIONS THEREOF**

Eugene I. Davis, in his capacity as the liquidation trustee (the "Liquidation Trustee") for the KWK Liquidation Trust (the "Liquidation Trust") established pursuant to the order confirming the *First Amended Joint Chapter 11 Plan of Liquidation for Quicksilver Resources Inc. and its Affiliated Debtors* (the "Plan"),² seeks entry of an order, substantially in the form attached hereto as **Exhibit A** (the "Proposed Order"), (a) finally determining that the Liquidation Trust is entitled to the Alternative Minimum Tax credit refund received on April 30, 2019 in the amount of \$21,454,784 (the "AMT Refund"), (b) authorizing the Liquidation Trustee to (i) distribute the net proceeds of the AMT Refund to the Second Lien Liquidation Trust Beneficiaries, and (ii) pay BK Value Finders, LLC's ("BK Finders") fees based on the receipt of the AMT Refund. In support of the motion, the Liquidation Trustee respectfully states as follows:

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Quicksilver Resources Inc. [6163]; Barnett Shale Operating LLC [0257]; Cowtown Drilling, Inc. [8899]; Cowtown Gas Processing L.P. [1404]; Cowtown Pipeline Funding, Inc. [9774]; Cowtown Pipeline L.P. [9769]; Cowtown Pipeline Management, Inc. [9771]; Makarios Resources International Holdings LLC [1765]; Makarios Resources International Inc. [7612]; QPP Holdings LLC [0057]; QPP Parent LLC [8748]; Quicksilver Production Partners GP LLC [2701]; Quicksilver Production Partners LP [9129]; and Silver Stream Pipeline Company LLC [9384]. The Debtors' address is 801 Cherry Street, Suite 3700, Unit 19, Fort Worth, Texas 76102.

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

JURISDICTION

1. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2).

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

3. The predicates for the relief requested herein are section 505 of chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) and Articles Nine and Twelve of the Plan.

BACKGROUND

A. General Background

4. On March 17, 2015 (the “Petition Date”), Quicksilver Resources, Inc. (“Quicksilver”) and its subsidiaries (collectively with Quicksilver, the “Debtors”) each filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in this Court. Throughout their chapter 11 cases, the Debtors operated their business and managed their properties as debtors in possession pursuant to Bankruptcy Code sections 1107(a) and 1108. These chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Bankruptcy Rule 1015 and rule 1015-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”).

5. On January 27, 2016, the Court entered an order [D.I. 1095] approving the sale of substantially all of the Debtors’ U.S. assets to BlueStone Natural Resources II, LLC (“BlueStone”) for \$254 million in cash (the “Sale”). The Sale to BlueStone closed on April 6, 2016, effective as of April 1, 2016.

6. On August 16, 2016, the Court entered an order [D.I. 1633] (the “Confirmation Order”) confirming the Plan. The effective date of the Plan occurred on August 31, 2016 (the

“Effective Date”). On the Effective Date, the Liquidation Trust was established pursuant to the Confirmation Order and the KWK Liquidation Trust Agreement, dated as of August 31, 2016, by and among the Debtors and the Liquidation Trustee (the “Trust Agreement”). Confirmation Order at ¶ 15.

B. The Liquidation Trust and the Liquidation Trustee

7. Pursuant to the Plan, the Liquidation Trust was established to, among other things, facilitate distributions to holders of Allowed Claims. The Plan incorporated a settlement that set forth the consideration to be provided to the various creditor constituencies. Specifically, holders of Allowed General Unsecured Claims were entitled to receive their pro rata share of the Unsecured Plan Consideration, which consisted of (a) \$17.5 million in Cash plus (b) 50% of recoveries from the Canadian Proceeds in excess of \$2.5 million. Plan at 3.3.5. Holders of Allowed Second Lien Secured Claims were entitled to receive their pro rata share of the Second Lien Plan Consideration, which consisted of the remainder of the Debtors’ cash and other assets after payment of administrative claims, priority claims, other secured claims, and professional fee claims. Plan at 3.3.4.

8. On the Effective Date, the Liquidation Trust Assets automatically vested in the Liquidation Trust. Confirmation Order at ¶ 16; Plan at 9.3. Pursuant to the Trust Agreement, the Liquidation Trust is two separate grantor trusts for U.S. federal income tax purposes pursuant to Section 671-677 of the Internal Revenue Code of 1986 (as amended) with the Second Lien Liquidation Trust Beneficiaries treated as grantors and owners of one trust and the Unsecured Liquidation Trust Beneficiaries treated as the grantors and owners of another trust. Trust Agreement at 3.1(b). The Second Lien Liquidation Trust Assets include all property and assets of the Debtors remaining after the segregation of the Unsecured Plan Consideration and reserving

for certain claims and consideration to be paid pursuant to the Plan. Plan at 1.1.70; Trust Agreement at 1.1.

C. The Liquidation Trustee's Responsibilities

9. The purpose of the Liquidation Trust is to liquidate, administer, and distribute its assets. Plan at 9.2.1; Trust Agreement at 5.1. The Liquidation Trustee, on behalf of the Liquidation Trust, is required to make timely distributions of the Liquidation Trust Assets. Plan at 9.6.1; Trust Agreement at 5.1. The Liquidation Trustee is expressly directed not to “unduly prolong the duration of the Liquidation Trust.” Plan at 9.6.1; Trust Agreement at 5.1.

10. The Plan provides that the duties and powers of the Liquidation Trustee shall include “all powers necessary to implement the Plan with respect to all Debtors and monetize the Liquidation Trust Assets” to make distributions pursuant to the Plan. Plan at 9.6.1. These powers include preparing and filing, on behalf of the Debtors, “all tax returns required to be filed or that the Liquidation Trustee otherwise deems appropriate.” Plan at 9.6.7. The Trust Agreement delineates the Liquidation Trustee’s duties and powers by authorizing the Liquidation Trustee, subject to the discretion and oversight of the Trust Advisory Board and the Unsecured Advisory Group, to:

10. prepare and file (or cause to be prepared and filed), on behalf of the Debtors, all other tax returns required to be filed or that the Liquidating Trustee otherwise deems appropriate;

11. request any appropriate tax determination, including, without limitation, a determination pursuant to Section 505 of the Bankruptcy Code;

...

20. exercise such other powers as may be vested in or assumed by the Liquidation Trust or the [] [Liquidation] Trustee pursuant to the Plan, Bankruptcy Court order or as may be necessary and proper to carry out the provisions of the Plan.

Trust Agreement at 3.5.

11. Pursuant to section 9.6.3 of the Plan (regarding the retention of professionals) and section 2.4 of the Trust Agreement (regarding the retention of professionals), the Liquidation Trustee, with the approval of the Trust Advisory Board, retained BK Finders to assist the Liquidation Trustee in monetizing and recovering certain assets, including the Debtors' tax refunds, that may be available to the Liquidation Trust. Pursuant to the agreement between BK Finders and the Liquidation Trust, BK Finders is entitled to a finder's fee of 50% of Net Recoveries³ from claims identified by BK Finders.

D. Continuing Bankruptcy Court Jurisdiction Over the Chapter 11 Cases

12. The Plan provides that after the Effective Date, the Court shall:

retain the maximum legally permissible jurisdiction over all matters arising out of, and related to the Chapter 11 Cases or the Plan pursuant to, and for purposes of, Bankruptcy Code sections 105(a) and 1142, including, without limitation, jurisdiction to: . . . hear and determine matters concerning state, local, and federal taxes in accordance with Bankruptcy Code sections 346, 505, and 1146.

Plan at 12.1.17; *see* Confirmation Order at ¶ 41(q). The Trust Agreement expressly provides that the Liquidation Trustee:

may request an expedited determination of taxes of the Debtors or the Liquidation Trust . . . under section 505(b) of the Bankruptcy Code for all returns filed for, or on behalf of, the Debtors or the Liquidation Trust for all taxable periods through the dissolution of the Liquidation Trust.

Trust Agreement at 8.5

³ "Net Recoveries" means the gross amount recovered in connection with realizing upon and/or collecting on the claims less reasonable and documented attorneys' fees, accounting fees, and other costs and expenses directly related to the actual realization and collection of the claims.

E. The Repeal of the Corporate Alternative Minimum Tax, the Request for the AMT Refund, and the Submission of a Prompt Determination of the Liquidation Trust's Right to the AMT Refund

13. The 2017 Tax Cuts and Jobs Act (the “TCJA”) repealed the alternative minimum tax (“AMT”) for tax years beginning after December 31, 2017 and established a tentative minimum tax of zero for corporations. *See* 26 U.S.C. § 53(d)(2). Additionally, the TCJA provides for a refund of minimum tax credits over four (4) years, beginning with tax year 2018. *See* 26 U.S.C. § 55(e). The AMT credits may be requested as refunds according to the following schedule:

- 2018 - 50% of AMT credits carried forward
- 2019 - 50% of AMT credits remaining after 2018
- 2020 - 50% of AMT credits remaining after 2019
- 2021 - 100% of AMT credits remaining

On January 4, 2019, the Internal Revenue Service (the “IRS”) issued a statement providing that AMT refunds for taxable years beginning after December 31, 2017 will not be subject to sequestration. *See Effect of Sequestration on the Alternative Minimum Tax Credit for Corporations (fiscal year 2019)*, INTERNAL REVENUE SERVICE <https://www.irs.gov/newsroom/effect-of-sequestration-on-the-alternative-minimum-tax-credit-for-corporations-fiscal-year-2019> (last visited November 15, 2019).

14. In March 2018, BK Finders identified an opportunity for the Liquidation Trust to collect a significant tax refund as a result of the TCJA and notified the Liquidation Trustee of such opportunity. As of the beginning of tax year 2018, Quicksilver had an AMT credit carryforward of \$42,909,569 that BK Finders and the Liquidation Trustee believed was recoverable as a tax refund. Following identification of the AMT credit carryforward, BK Finders worked closely with the Liquidation Trustee, his counsel, and his tax advisors to review and analyze the Debtors’ tax attributes and advised the Liquidation Trustee in connection with

completing the steps necessary to request the AMT Refund. On April 11, 2019, the Liquidation Trustee filed IRS Form 1120 to request the AMT credit carryforward that was allowable as a refund for tax year 2018, which was \$21,454,784 (*i.e.*, fifty (50) percent of the total AMT credit carryforward of \$42,909,569). As disclosed in the Post-Confirmation Monthly Operating Report for the period from April 1, 2019 through June 30, 2019 [D.I. 2190], the IRS issued the AMT Refund in the amount of \$21,454,784 to the Liquidation Trust on April 30, 2019. Because the AMT Refund was issued on an originally filed tax return, the AMT Refund was not subject to Joint Committee review pursuant to 26 U.S.C. § 6405. *See* 26 C.F.R. § 301.6402-4.

15. As noted above, the Liquidation Trustee has the duty to liquidate and convert the Liquidation Trust Assets in an expeditious and orderly manner and make timely distributions under the Plan. As a result, the Liquidation Trustee is required to distribute the net proceeds of the AMT Refund to the Second Lien Liquidation Trust Beneficiaries. The IRS, however, generally has three years from the filing of a return to select the return for audit and assess taxes or take action against a taxpayer to recover all or any portion of a refund. 26 U.S.C. § 6501. As applied to the instant circumstances, with respect to the AMT Refund which was requested on a tax return due on April 15, 2019, the IRS would have until April 15, 2022 to potentially audit the 2018 tax return and dispute the Liquidation Trust's right to the AMT Refund. Notwithstanding the possibility of a future audit, it would be against the intention and spirit of the Plan and the Trust Agreement if the Liquidation Trustee were required to withhold distributions of the AMT Refund to wait out the expiration of the three-year statutory limitation period. To address this type of situation, Congress enacted Bankruptcy Code section 505 which provides procedures for prompt determination of tax refunds and tax liabilities.

16. Following the receipt of the AMT Refund, the Liquidation Trustee took steps to seek a prompt determination of entitlement to the AMT Refund to ensure that the net proceeds could be distributed to the Second Lien Liquidation Trust Beneficiaries after payment of the fee to BK Finders. On July 31, 2019, the Liquidation Trustee submitted to the IRS, Centralized Insolvency Operation, a formal request for prompt determination of the Liquidation Trust's right to the AMT Refund pursuant to Bankruptcy Code section 505 as set forth in Quicksilver's 2018 tax return. On September 11, 2019, the IRS responded to the Liquidation Trustee's request—the 2018 tax return was not selected for examination (the "IRS Response"); thus, the IRS accepted the 2018 tax return as filed, including payment of the AMT Refund. The IRS Response is attached hereto as **Exhibit B**.

17. The next refund claim on account of the AMT credit carryforward can be made with the filing of Quicksilver's 2019 tax return in 2020, and the refund is estimated to be approximately \$10,727,392 (*i.e.*, 50% of the remaining AMT credit carryforward in the amount of \$21,454,784). For tax years 2020 and 2021, the Liquidation Trustee would be entitled to request a refund of \$5,363,696 in each year to receive the remainder of the total AMT refund of \$42,909,568. Pursuant to the agreement by which BK Finders was retained, BK Finders remains entitled to a fee of 50% of any AMT refund received by the Liquidation Trust (less any costs and expenses related to the collection of the AMT refund).

RELIEF REQUESTED

18. The Liquidation Trustee submits this motion requesting entry of the Proposed Order pursuant to Bankruptcy Code section 505 and Articles Nine and Twelve of the Plan, (a) finally determining that the Liquidation Trust is entitled to the AMT Refund, (b) authorizing the Liquidation Trustee to distribute the net proceeds of the AMT Refund to the Second Lien

Liquidation Trust Beneficiaries, and (c) authorizing the Liquidation Trustee to pay BK Finders' fees based on the receipt of the AMT Refund.

BASIS FOR RELIEF

A. The Liquidation Trust is Entitled to the AMT Refund

19. The Tax Reform Act of 1986 (the "1986 TRA") imposed an alternative minimum tax on corporate taxpayers beginning in tax year 1987. The AMT provided a baseline standard against which corporate taxpayers measured their tax liabilities and was designed to apply to taxpayers with substantial economic income that used tax credits and other tax incentives to reduce their tax liabilities below a twenty (20) percent effective tax rate. Since the 1986 TRA, several changes have been made to the corporate AMT provisions, but the general framework remained in place along with the twenty (20) percent minimum tax rate.

20. The computation of the amount of a corporation's AMT liability generally began with taxable income for regular income tax purposes (26 U.S.C. § 55(b)(2)). The taxable income amount was adjusted, pursuant to 26 U.S.C. §§ 56, 57, and 58, to arrive at alternative minimum taxable income ("AMTI").

21. Using its AMTI, a corporate taxpayer computed its tentative minimum tax for the taxable year (generally AMTI times twenty (20) percent, less the AMT foreign tax credit). The corporation compared the tentative minimum tax to its "regular tax" for the taxable year to determine whether the corporation had any AMT liability for the year. If the tentative minimum tax was greater than the regular tax, the corporation paid the tentative minimum tax as its final tax liability for the taxable year. Technically, the tentative minimum tax, if greater than the regular tax, had two components, the regular tax and the net AMT, with the excess of tentative minimum tax over the regular tax being referred to as the net AMT liability.

22. To the extent a corporation had any AMT liability, such amount would be considered an AMT credit carryforward and could be used in a year where regular tax exceeded tentative minimum tax, reducing the regular tax to the amount of the tentative minimum tax for that particular year. Any unused AMT credits carried forward indefinitely. *See* 26 U.S.C. §53. Such credits represented a tax attribute of the corporation that could carry over to a transferor corporation in a liquidation. *See* 26 U.S.C. § 381.

23. The TCJA repealed the corporate alternative minimum tax for tax years beginning after December 31, 2017 and provides for a tentative minimum tax of zero for corporations. 26 U.S.C. § 53(d)(2). Additionally, the TCJA provides for a refund of AMT credits over four (4) years, beginning with tax year 2018, as follows: tax year 2018 – fifty (50) percent of AMT credits carried forward; tax year 2019 – fifty (50) percent of AMT credits remaining after 2018; tax year 2020 – fifty (50) percent of AMT credits remaining after 2019; and tax year 2021 – one-hundred (100) percent of AMT credits remaining. 26 U.S.C. § 55(e).

24. In prior tax years, the Debtors had paid the tentative minimum tax for multiple tax years and, as a result, had significant tax attributes in the form of AMT credit carryforwards when the chapter 11 cases were commenced. Such AMT credit carryforwards were assets of the Debtors and the Debtors' rights to the refunds of such credit carryforwards transferred to the Liquidation Trust upon the Effective Date of the Plan. At the beginning of tax year 2018, Quicksilver had an AMT credit carryforward of \$42,909,568 and, with the adoption of the TCJA, the Liquidation Trustee had the right to request the AMT credit carryforwards as tax refunds. The Liquidation Trust requested the AMT Refund by filing IRS Form 1120 on April 11, 2019 and received the AMT Refund on April 30, 2019. Thereafter, the Liquidation Trustee requested a prompt determination of the Liquidation Trust's right to the AMT Refund pursuant to Bankruptcy

Code section 505 and the IRS accepted the related return as filed. Accordingly, the Liquidation Trust has the right to the AMT Refund and to (a) distribute the net proceeds of the AMT Refund to the Second Lien Trust Beneficiaries in accordance with the Plan and the Trust Agreement and (b) pay the finder's fee owed to BK Finders.

B. The Court has the Power to Determine the Liquidation Trust's Right to the AMT Refund

25. The Court has ample power and jurisdictional authority to determine the rights of the Liquidation Trust to the AMT Refund. First, the Court retains “the maximum legal permissible jurisdiction” to “hear and determine matters concerning state, local, and federal taxes in accordance with Bankruptcy Code sections 346, 505, and 1146.” Plan at 12.1.17; Confirmation Order at ¶ 41(q).

26. Second, the Plan and Trust Agreement expressly allow the Liquidation Trustee to request an expedited determination of the Debtors' tax liability under section 505 of the Bankruptcy Code, for all tax returns filed for, or on behalf of, the Debtors for all taxable periods through the dissolution of the Liquidation Trust. Plan at 9.10; Trust Agreement 3.5, 11. Section 505 of the Bankruptcy Code authorizes the Court to determine:

the amount or legality of any tax, any fine or penalty relating to a tax, or any addition to tax, whether or not previously assessed, whether or not paid, and whether or not contested before and adjudicated by a judicial or administrative tribunal of competent jurisdiction.

11 U.S.C. §505(a)(1). Here, the Court should find that the AMT Refund has been properly requested and paid to the Liquidation Trust.

27. Only three limitations exist on the broad grant of authority given to a bankruptcy court in section 505(a)(1) to determine the estate's taxes, including refunds. *See* 11 U.S.C. §505(a)(2). The first such exception prevents a bankruptcy court from adjudicating claims that

were previously contested and adjudicated in a court of competent jurisdiction prior to the petition date. *See* 11 U.S.C. § 505(a)(2)(A). This exception does not apply here. The second such exception provides that before a bankruptcy court may determine an estate's right to a refund, one-hundred and twenty (120) days must have passed after the formal refund claims have been filed with the IRS. 11 U.S.C. § 505(a)(2)(B)(i). The Liquidation Trustee filed a formal request for the AMT Refund on April 11, 2019, and more than one-hundred and twenty (120) days will have passed by the time that the Court considers this Motion. Accordingly, this exception does not apply here. The final exception concerns ad valorem taxes on real and personal property, which exception is thus inapplicable.

28. Furthermore, the prompt distribution of the AMT Refund is in the best interest of the Second Lien Liquidation Trust Beneficiaries and is necessary to comply with the Plan and Trust Agreement. The Liquidation Trustee is charged with, "in an expeditious but orderly manner, liquidat[ing] and convert[ing] to Cash the Liquidation Trust Assets, mak[ing] timely Plan Distributions, and not unduly prolong[ing] the duration of the Liquidation Trust." Plan at 9.6.1; *see* Trust Agreement at 5.1. The Liquidation Trustee has consulted with the Trust Advisory Board, his attorneys and accountants, and determined that filing this Motion, distributing the net proceeds of the AMT Refund, and paying the fee to BK Finders is an appropriate exercise of business judgment and in the best interests of creditors. The AMT Refund is unquestionably an asset of the Liquidation Trust pursuant to section 1.1.70 of the Plan and section 1.1 of the Trust Agreement, and therefore, should be timely distributed by the Liquidation Trustee to the Second Lien Liquidation Trust Beneficiaries.

29. Although the IRS has already accepted as filed the return related to the AMT Refund, out of an abundance of caution, the Liquidation Trustee seeks an order from this Court to

facilitate the proper and appropriate distribution of the AMT Refund to the Second Lien Liquidation Trust Beneficiaries and to pay the finder's fee owed to BK Finders. Although unlikely given the IRS's acceptance of the return as filed, the Liquidation Trustee seeks to avoid a situation where the AMT Refund has been distributed pursuant to the Plan, and then the IRS attempts to seek further review or unexpectedly seeks to deny such refund. The certainty and finality provided by entry of the Proposed Order will ensure appropriate and timely distributions to the Second Lien Liquidation Trust Beneficiaries, in accordance with the Plan and Trust Agreement. *See* Plan at 9.12; Trust Agreement at 9.1. The timely distribution of the AMT Refund is also necessary because the Second Lien Liquidation Trust Beneficiaries are treated as the grantors and owners of the Second Lien Liquidation Trust Assets for federal income tax purposes. If the Second Lien Liquidation Trust Beneficiaries do not receive a distribution of their share of the AMT Refund from the Liquidation Trust in calendar year 2019, some of the Second Lien Liquidation Trust Beneficiaries may have to include their share of the AMT Refund as income for the 2019 calendar year, which could result in tax being owed on account of income that was not actually received.

30. Accordingly, consistent with the IRS Response, the Liquidation Trust requests that its rights to the AMT Refund be deemed to be finally determined in accordance with section 505(a)(1) of the Bankruptcy Code.

BANKRUPTCY RULE 6004(h)

31. The Liquidation Trustee also requests that the Court waive the requirements of Bankruptcy Rule 6004(h), to the extent applicable, which stays orders authorizing the use of property by fourteen (14) days "unless the court orders otherwise." FED. R. BANKR. P. 6004(h). The immediate effectiveness of the Proposed Order is necessary to ensure the net proceeds of the AMT Refund are distributed to the Second Lien Liquidation Trust Beneficiaries prior to the end

of the calendar year because certain Second Lien Liquidation Trust Beneficiaries may have to include their share of the AMT Refund as income for the 2019 calendar year. Accordingly, the Liquidation Trustee respectfully requests that the Court waive the stay imposed by Bankruptcy Rule 6004(h), to the extent applicable, as the exigent nature of the relief sought herein justifies immediate relief.

NO PRIOR REQUEST

32. No prior request for the relief requested herein has been made by the Liquidation Trustee to this or any other court.

NOTICE

33. The Liquidation Trustee will provide notice of this motion to (a) the U.S. Trustee, Attn.: Jane Leamy, Esq.; (b) members of the Trust Advisory Board; (c) members of the Unsecured Advisory Group; (d) Internal Revenue Service; (e) Office of the Attorney General for the District of Delaware; (f) Attorney General of the United States; and (g) any parties entitled to notice pursuant to Local Rule 2002-1(b). In view of the nature of the relief requested in this motion, the Liquidation Trustee respectfully submits that no further notice is necessary.

CONCLUSION

WHEREFORE, the Liquidation Trustee respectfully requests that the Court enter an order, substantially in the form annexed hereto as **Exhibit A**, (a) finally determining that the Liquidation Trust is entitled to the AMT Refund, (b) authorizing the Liquidation Trustee to (i) distribute the net proceeds of the AMT Refund to the Second Lien Liquidation Trust Beneficiaries and (ii) pay BK Finders' fees based on the receipt of the AMT Refund, and (c) granting such other and further relief as the Court deems just and proper.

Wilmington, Delaware
Date: November 15, 2019

/s/ Paul N. Heath

RICHARDS, LAYTON & FINGER, P.A.

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COUNSEL FOR LIQUIDATION TRUSTEE

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

In re:

Quicksilver Resources Inc., et al.,¹

Debtors.

Chapter 11

Case No. 15-10585 (LSS)

Jointly Administered

Hearing Date: Dec. 10, 2019 at 4:00 p.m. (ET)

Obj. Deadline: Dec. 2, 2019 at 4:00 p.m. (ET)

NOTICE OF MOTION AND HEARING

PLEASE TAKE NOTICE that on November 15, 2019, Eugene I. Davis, in his capacity as the liquidation trustee (the “Liquidation Trustee”) for the KWK Liquidation Trust (the “Liquidation Trust”) filed the *Liquidation Trustee’s Motion for an Order Pursuant to Section 505 of the Bankruptcy Code Granting the Liquidation Trust’s Rights to Certain Tax Refunds and Authorizing Distributions Thereof* (the “Motion”) with the United States Bankruptcy Court for the District of Delaware (the “Court”).

PLEASE TAKE FURTHER NOTICE that, any responses or objections to the Motion must be in writing and filed with the Clerk of the Court, 824 North Market Street, 3rd Floor, Wilmington, Delaware 19801, on or before **December 2, 2019 at 4:00 p.m. (prevailing Eastern Time)**.

PLEASE TAKE FURTHER NOTICE that, if any objections to the Motion are received, the Motion and such objections shall be considered at a hearing before The Honorable Laurie

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Quicksilver Resources Inc. [6163]; Barnett Shale Operating LLC [0257]; Cowtown Drilling, Inc. [8899]; Cowtown Gas Processing L.P. [1404]; Cowtown Pipeline Funding, Inc. [9774]; Cowtown Pipeline L.P. [9769]; Cowtown Pipeline Management, Inc. [9771]; Makarios Resources International Holdings LLC [1765]; Makarios Resources International Inc. [7612]; QPP Holdings LLC [0057]; QPP Parent LLC [8748]; Quicksilver Production Partners GP LLC [2701]; Quicksilver Production Partners LP [9129]; and Silver Stream Pipeline Company LLC [9384]. The Debtors' address is 801 Cherry Street, Suite 3700, Unit 19, Fort Worth, Texas 76102.

Selber Silverstein, United States Bankruptcy Judge for the District of Delaware, at the Court, 824 N. Market Street, 6th Floor, Courtroom 2, Wilmington, Delaware 19801 on **December 10, 2019 at 4:00 p.m. (prevailing Eastern Time).**

PLEASE TAKE FURTHER NOTICE THAT, IF NO OBJECTIONS TO THE MOTION ARE TIMELY FILED, SERVED AND RECEIVED IN ACCORDANCE WITH THIS NOTICE, THE BANKRUPTCY COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

Wilmington, Delaware
Date: November 15, 2019

/s/ Paul N. Heath

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– and –

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COUNSEL FOR LIQUIDATION TRUSTEE

EXHIBIT A

Proposed Order

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

In re:

Quicksilver Resources Inc., et al.,¹

Debtors.

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) Chapter 11

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) Case No. 15-10585 (LSS)

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) Jointly Administered

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) **Re: Docket No. ____**
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**ORDER PURSUANT TO SECTION 505 OF THE BANKRUPTCY
CODE GRANTING THE LIQUIDATION TRUST’S RIGHTS TO CERTAIN
TAX REFUNDS AND AUTHORIZING DISTRIBUTIONS THEREOF**

Upon consideration of the motion (the “Motion”)² of the Liquidation Trustee on behalf of the estates of the above-captioned debtor and its debtor subsidiaries (the “Debtors”), for entry of an order, pursuant to Bankruptcy Code section 505 and the authority granted in Articles Nine and Twelve of the Plan, granting the Liquidation Trust the right to the AMT Refund, and the Court having jurisdiction to consider the Motion and the relief requested therein in accordance with 28 U.S.C. §§ 157 and 1334; and consideration of the Motion and the relief requested therein being a core proceeding in accordance with 28 U.S.C. § 157(b)(2); and venue being proper in this District pursuant to 28 U.S.C. §§ 1408 and 1409; and after due deliberation and sufficient cause appearing therefor, and the Court having **FOUND AND DETERMINED THAT:**

A. The relief sought in the Motion is a sound exercise of the Liquidation Trustee’s business judgment, is in the best interests of the Debtors’ estates, the Debtors’ creditors, and

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: Quicksilver Resources Inc. [6163]; Barnett Shale Operating LLC [0257]; Cowtown Drilling, Inc. [8899]; Cowtown Gas Processing L.P. [1404]; Cowtown Pipeline Funding, Inc. [9774]; Cowtown Pipeline L.P. [9769]; Cowtown Pipeline Management, Inc. [9771]; Makarios Resources International Holdings LLC [1765]; Makarios Resources International Inc. [7612]; QPP Holdings LLC [0057]; QPP Parent LLC [8748]; Quicksilver Production Partners GP LLC [2701]; Quicksilver Production Partners LP [9129]; and Silver Stream Pipeline Company LLC [9384]. The Debtors’ address is 801 Cherry Street, Suite 3700, Unit 19, Fort Worth, Texas 76102.

² Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion or the Plan, as applicable.

other parties in interest, and the legal and factual bases set forth in the Motion establish just cause for the relief granted herein.

B. Notice of the Motion and the opportunity for a hearing on the Motion were adequate and appropriate and complied with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules.

ACCORDINGLY, IT IS HEREBY ORDERED THAT:

1. The Motion is granted as set forth herein.
2. Pursuant to section 505(a) of the Bankruptcy Code, the Court finally determines that the Liquidation Trust (a) is entitled to the AMT Refund under applicable tax law and (b) may distribute the net proceeds of the AMT Refund in accordance with the Plan and the Trust Agreement after payment of the fee owed to BK Finders.
3. The stay imposed by Bankruptcy Rule 6004(h) is waived and the terms and conditions of this Order are immediately effective and enforceable upon its entry.
4. The Liquidation Trustee is authorized to take all actions necessary to effectuate the relief granted pursuant to this Order.
5. This Court shall retain jurisdiction over all matters arising from or related to the implementation and interpretation of this Order.

Exhibit B

The IRS Response



Department of the Treasury
Internal Revenue Service
Large Business & International Division
M/S 4912, Ogden, UT 84201-0012

QUICKSILVER RESOURCES INC.
7305 WILLOWOOD DR
CINCINNATI, OH 45241

Date: 09/05/2019

Taxpayer ID number: xx-xxxx6163

Tax form: 1120

Tax periods ended: 201812

Employee ID number: 1000142337

Employee name: Laurie Hill

Phone number: 801-620-3225

Dear Taxpayer:

You requested a prompt determination of tax liability for the tax return(s) shown above under Bankruptcy Code Section 505(b). Under this provision, the return(s) you submitted is not being selected for examination.

However, under 505(b), the trustee, debtor, and any successor to the debtor is not discharged of any tax shown on the return (including penalties and interest) and if the return is fraudulent or contains a material misrepresentation.

If you have any questions, please write or call the person named above.

Sincerely,

Melanie P. Chivers

Digitally signed by Melanie P.
Chivers
Date: 2019.09.11 07:50:12 -06'00'

Melanie Chivers, Acting Manager
LB&I Workflow Coordination and Liaison