

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

IN RE:	§	
	§	
QUICKSILVER RESOURCES, INC., ET AL.¹	§	CASE NO. 15-10585 (LSS)
	§	
	§	(Chapter 11)
Debtors.	§	Joint Administration Requested

**INITIAL OBJECTIONS OF WEATHERFORD CREDITORS TO (1) DEBTORS’
MOTION FOR ENTRY OF INTERIM AND FINAL ORDERS AUTHORIZING THE
DEBTORS TO PAY OR HONOR PRE-PETITION AND POST-PETITION ROYALTY
OBLIGATIONS, WORKING INTEREST OBLIGATIONS AND OTHER
OBLIGATIONS RELATED TO OIL AND GAS LEASES [DOCKET NO. 13] AND (2)
MOTION FOR AN ORDER (I) MOTION FOR ENTRY OF INTERIM AND FINAL
ORDERS (A) AUTHORIZING THE USE OF CASH COLLATERAL, (B) GRANTING
THE PREPETITION SECURED LENDERS ADEQUATE PROTECTION, (C)
SCHEDULING A FINAL HEARING, AND (D) GRANTING RELATED RELIEF**

WEATHERFORD U.S., L.P., and its affiliates² (collectively “Weatherford”), by and through their undersigned counsel, hereby object to the motions assigned docket numbers 13 and 16, and in support thereof respectfully state as follows:

Objections

1. Weatherford is owed \$4,531,389.62 for goods, services and equipment rental provided with respect to the debtors’ mineral leases and related wells. All or a substantial portion of this debt is secured by minerals liens on the debtors’ interest in those leases. The liens also attach to the interests of non-debtor working interest owners in the leases.

Statutory Mineral Lien Rights

2. Weatherford’s statutory mineral liens encumber (i) the wells; (ii) the whole of

¹ The Debtors include: 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].

such land or leasehold or lease for oil and gas purposes; (iii) the material, machinery and supplies furnished by Weatherford; (iv) all other material, machinery and supplies used for mineral activities; (v) all personal property; (vi) all buildings; (vii) all appurtenances; (viii) all other oil, gas and water wells and pipelines located on the subject leases; (ix) the oil and gas produced from the subject leases; and (x) the proceeds from the sale therefore. *See* Tex. Prop. Code § 56.003; *Abella v. Knight Oil Tools*, 945 S.W. 2d 847 (Tex. App. – Houston [1st Dis.] 1997, no writ).

3. In addition, the proceeds of the sale of this collateral along with joint interest billings owed to the debtors constitute Weatherford cash collateral. Production from oil and gas leases during the pendency of a case depletes the collateral; i.e., the oil and gas leases. As such, Weatherford does not consent to use of cash collateral absent adequate protection.

4. The motion at docket number 13 proposes to pay lease operating expenses (“LOEs”). The \$4,531,389.62 owed to Weatherford are such LOEs. Counsel for debtors advises that if the Court grants the relief sought in docket number 13 then—subject to review and confirmation of the Weatherford invoices – the debtors plan to pay Weatherford in the ordinary course. If Weatherford is actually paid, then these objections will become moot. Weatherford, however, submits these objections in an abundance of caution.

5. The cash collateral motion proposes automatic termination of use of cash collateral without notice or Court proceedings, including entry or any order reversing amending or supplementing staying vacating or otherwise modifying the interim cash collateral order without consent of the lenders. Weatherford objections to this provision as unnecessary.

6. The cash collateral motion desires to bind third parties, presumably all creditors, unless they take action within 75 days. Given the size of this case and large number of leases at

² Datalog, Weatherford Labs, Weatherford Artificial Lift Systems, and Precision Energy.

issue, that is an unreasonably short amount of time to analyze whether initiation of a proceeding is appropriate.

7. The debtors seek authority to pay pre-petition royalty claims, the claims of non-debtor working interest owners, joint interest billing, delay rentals, and \$14 million to non-debtor owners of working interest for what the debtors call marketing obligations. Weatherford does not agree that 9.343(a) of the Texas Business & Commerce Code, a statute urged by debtors, confers upon all royalty creditors secured creditor status. Likewise, as the proposed payment of \$14 million to the non-debtor holders of working interest: The motion does not make clear whether those holders each have actual title, as opposed to solely an equitable interest, in the working interest. If title did not pass prepetition, then those working interest “owners” are unsecured creditors. 11 U.S.C. § 546.

8. Due to time constraints, Weatherford reserves all right to supplement these objections.

9. Weatherford further objects that the cash collateral motion contains no proposed budget. Without such a budget itemizing what creditors will be paid, grant of the motion gives the debtors and lenders too much un-regulated discretion.

10. Absent full payment to Weatherford, grant of that relief risks the unequal treatment of debtors’ creditors by paying the royalty and working interest owners in full without any payment of the mineral lien claimants outside the protections of the chapter 11 plan process.

Conclusion

WHEREFORE, Weatherford prays that the Court deny the motion unless the issues referred to above are addressed.

Respectfully submitted,

Dated: March 19, 2015
Wilmington, Delaware

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