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In re:)	Chapter 11
)	
Quicksilver Resources Inc., <u>et al.</u> , ¹)	Case No. 15-10585 (LSS)
)	
Debtors.)	Jointly Administered
)	
)	Hearing Date: September 1, 2021 at 3:00 p.m. (ET)
)	Obj. Deadline: August 25, 2021 at 4:00 p.m. (ET)

PLEASE TAKE NOTICE that on August 5, 2021, 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 Second Motion for an Order Pursuant to Sections 105(a) and 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 “Bankruptcy 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 **August 25, 2021 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 at the Bankruptcy Court, 824 N. Market Street, 6th Floor, Courtroom 2, Wilmington, Delaware 19801 on **September 1, 2021 at 3:00 p.m. (ET)**.

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.

Date: August 5, 2021
Wilmington, Delaware

/s/ Amanda R. Steele

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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: September 1, 2021 at 3:00 p.m.**
) **(ET)**

) **Obj. Deadline: August 25, 2021 at 4:00 p.m.**
) **(ET)**

**LIQUIDATION TRUSTEE’S SECOND MOTION FOR AN ORDER
PURSUANT TO SECTIONS 105(a) AND 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 remaining 50% of an Alternative Minimum Tax credit refund pursuant to Bankruptcy Code sections 105(a) and 505(a) and Rev. Proc. 2010-27 in the amount of \$21,454,784 plus appropriate interest thereon under Internal Revenue Code Section 6611, 26 U.S. Code §6611, *et seq.* (the “2019 AMT Refund”) and directing the Internal Revenue Service (“IRS”) to promptly remit the 2019 AMT Refund to the Liquidation Trust and (b) authorizing the Liquidation Trustee to distribute the

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].

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

net proceeds of the 2019 AMT Refund to the Second Lien Liquidation Trust Beneficiaries after payment of any fees and expenses related to the 2019 AMT Refund. In support of the motion, the Liquidation Trustee respectfully states as follows:

PRELIMINARY STATEMENT

1. By this Motion, the Liquidation Trustee seeks entry of an order finally determining that the Liquidation Trust is entitled to the 2019 AMT Refund in the amount of \$21,454,784 (plus applicable statutory interest) and directing the IRS to promptly remit such amount to the Liquidation Trust. This Motion is straightforward and not controversial because (a) the IRS previously confirmed in 2019 that the Liquidation Trust is entitled to an AMT credit in the total amount of \$42,909,569 and refunded 50% of such amount to the Liquidation Trust in 2019 in accordance with the controlling statute, (b) in December 2019, pursuant to a prior motion of the Liquidation Trustee, and after notice and a hearing, this Court entered an order determining the Liquidation Trust's entitlement to the initial 50% of such AMT credit and authorized the Liquidation Trustee to distribute the net proceeds thereof in accordance with the Plan and the Trust Agreement, and (c) as set forth herein, the Liquidation Trust is now entitled to, and has taken all the requisite procedural and substantive steps to, receive the remaining and final portion of the allowed AMT credit.

2. The 2019 AMT Refund remains unpaid despite the Liquidation Trustee's compliance with the IRS's specified procedures for requesting and receiving prompt payment of tax refunds owed to a bankruptcy estate pursuant to Rev. Proc. 2010-27. Upon information and belief, as a result of the COVID-19 pandemic, the processing of the 2019 AMT Refund – which was requested in July 2020 – has been significantly delayed and the Liquidation Trustee requests the assistance of this Court to expedite the payment of the refund claim. The 2019 AMT Refund is the last significant asset of the Liquidation Trust and should be promptly paid so that the Liquidation

Trustee can fulfill his fiduciary duties of liquidating all of the Debtors' remaining assets, resolving or prosecuting objections to any remaining disputed claims, and commencing final distributions. Until the 2019 AMT Refund is received and the net proceeds distributed, the Liquidation Trustee cannot commence the process of closing the chapter 11 cases.³

JURISDICTION

3. 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).

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

5. The predicates for the relief requested herein are sections 105(a) and 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

6. 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

³ On July 27, 2021, the Liquidation Trustee filed a motion to extend the term of the Trust Agreement, which was previously set to terminate on August 31, 2021, for an additional one year to provide sufficient time to recover the 2019 AMT refund, initiate final distributions and close the chapter 11 cases. [D.I. 2264]. Pursuant to the Trust Agreement, the term may be extended if "the Bankruptcy Court determines that a fixed period extension (not to exceed two (2) years, including any prior extension) is necessary to facilitate or complete the recovery and liquidation of the Liquidation Trust Assets." Trust Agreement at 9.1. On August 5, 2021, the Court entered an order granting the motion and extending term of the Liquidation Trust through and including August 31, 2022 [D.I. 2271].

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”).

7. 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.

8. 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

9. 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.

10. 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

11. 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.

12. 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.

13. 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 Value Finders, LLC (“BKV”) 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 BKV and the Liquidation Trust, BKV is entitled to a fee of 50% of Net Recoveries⁴ from claims identified and collected with the aid of BKV.

D. Continuing Bankruptcy Court Jurisdiction Over the Chapter 11 Cases

14. 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

⁴ “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.

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

E. The Repeal of the Corporate Alternative Minimum Tax, the Payment of the 2018 AMT Refund, the 2018 AMT Refund Motion and the 2018 AMT Refund Order Determining the Liquidation Trust’s Right to the 2018 AMT Refund

15. 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 originally provided for a refund of minimum tax credits over four (4) years, beginning with tax year 2018. *See* 26 U.S.C. § 55(e). Pursuant to the TCJA, credits were permitted to 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

16. In March 2018, BKV 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 was recoverable as a tax refund. Following identification of the AMT credit carryforward, BKV 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 tax refund. On April 11, 2019, the Liquidation Trustee filed IRS Form 1120 to request the first 50% of the AMT credit carryforward that was allowable as a refund for tax year 2018, which was \$21,454,784 (the “2018 AMT Refund”) (*i.e.*, fifty (50) percent of the total AMT credit carryforward of \$42,909,569). On April 30, 2019, the IRS remitted the 2018 AMT Refund in the amount of \$21,454,784 to the Liquidation Trust.

17. Following the receipt of the 2018 AMT Refund, the Liquidation Trustee took steps to seek a prompt determination of entitlement to the 2018 AMT Refund to ensure that the net proceeds could be distributed to the Second Lien Liquidation Trust Beneficiaries. First, 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 2018 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; thus, the IRS accepted the full amount of the AMT credit and the 2018 tax return as filed, including the request for payment of the 2018 AMT Refund. Second, on November 19, 2019, the Liquidation Trustee filed a motion pursuant to Bankruptcy Code section 505 seeking an order finally determining the Liquidation Trust’s entitlement to the 2018 AMT Refund and authorizing related distributions [Docket No. 2206] (the “2018 AMT Refund Motion”). The 2018 AMT Refund Motion was uncontested and, after a hearing on December 12, 2019, the Court entered an order granting the 2018 AMT Refund Motion and, among other things, authorized the Liquidation Trustee to distribute the net proceeds of the 2018 AMT Refund in accordance with the Plan and Trust Agreement [Docket No. 2213] (the “2018 AMT Refund Order”).

F. The CARES Act, the Liquidation Trust’s Request for Prompt Refund of the 2019 AMT Refund, and Delays Resulting from the COVID-19 Pandemic

18. As noted above, pursuant to the TCJA, the Liquidation Trustee expected that the next refund claim on account of the AMT credit carryforward would be made with the filing of Quicksilver’s 2019 tax return in 2020 in the amount of \$10,727,392 (*i.e.*, 50% of the remaining AMT credit carryforward of \$21,454,784 with the remaining refund requested for tax years 2020 and 2021). Prior to filing Quicksilver’s 2019 tax return, however, the global COVID-19 pandemic resulted in an unprecedented worldwide health emergency that prompted stay-at-home orders, social distancing requirements, and federal emergency relief ordered by the U.S. Government. As a result, the IRS extended the 2019 tax filing deadline until July 15, 2020 and Congress passed the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). Notably, the CARES Act modified the timetable for requesting refunds of AMT credits and allowed corporations to immediately claim unused AMT credits for tax year 2019 (rather than the staggered timeline under the TCJA). 26 U.S.C. § 53(e)(2), as amended by CARES Act § 2305. Therefore, the Liquidation Trustee was permitted to request the entire remaining AMT credit carryforward in the amount of \$21,454,784 with the filing of Quicksilver’s 2019 tax return.

19. On July 13, 2020, the Liquidation Trustee filed Quicksilver’s 2019 tax return with the IRS pursuant to which the Liquidation Trustee initiated the process to recover the 2019 AMT Refund. To ensure that the 2019 AMT Refund would be promptly paid and available for distribution to the Second Lien Trust Beneficiaries, the Liquidation Trustee filed the 2019 tax return pursuant to the IRS procedures for requesting a prompt refund as set forth in Rev. Proc. 2010-27.⁵ Pursuant to such procedures, the IRS shall examine the return and “notify the trustee of the decision

⁵ See *Quicksilver Resources Inc. (EIN: 75-2756163) - Submission of 2019 Tax Return and Request for Prompt Refund*, dated July 13, 2020, attached hereto as **Exhibit B**. Due to the voluminous nature of the 2019 tax return, it has not been attached in its entirety, but will be made available upon request.

rendered within 120 days of the date of the filing of the claim.” The IRS received the return at the appropriate mailing address for seeking such relief (*i.e.*, the Centralized Insolvency Operation) on July 15, 2020⁶ and the statutory 120-day review period expired on November 12, 2020, but to date the IRS has not notified the Liquidation Trustee of any decision or remitted the 2019 AMT Refund to the Liquidation Trust.

20. Although the IRS was required to promptly pay the 2019 AMT Refund or notify the Liquidation Trustee of a decision within 120 days, the IRS experienced a significant backlog of processing returns as a result of the COVID-19 pandemic and the temporary closure of various IRS offices. In particular, the processing of paper returns, such as Quicksilver’s 2019 tax return requesting the 2019 AMT Refund, were significantly delayed and the IRS continues to experience a backlog.⁷

21. After the expiration of the 120-day period under the prompt refund procedures, the Liquidation Trustee’s professionals attempted to contact the IRS to determine the status of payment of the 2019 AMT Refund, including multiple attempts made through the IRS Practitioner Priority Service.⁸ Mayfield Decl. ¶ 4. These attempts often resulted in long wait times or disconnections due to high call volume. *Id.* In November 2020, the Liquidating Trustee’s accountants reached an IRS agent whom acknowledged pandemic related delays in processing tax returns and refund claims. *Id.* The IRS agent advised that the status of the 2019 Return would be investigated, but no further response was provided to the Liquidation Trustee or its accountants. *Id.*

⁶ See Proof of Delivery and Receipt via U.S. Postal Service attached hereto as **Exhibit C**.

⁷ See, e.g., *Missing your 2019 tax refund? The IRS still has millions of returns to process, according to new report*, May 7, 2021 (<https://www.cnbc.com/2021/05/07/tax-refund-delayed-irs-still-has-millions-of-2019-returns-to-process.html>); *IRS had a backlog of nearly 12 million paper tax returns by Christmas, says watchdog*, March 24, 2021 (<https://www.cnbc.com/2021/03/24/irs-had-backlog-of-12-million-paper-tax-returns-by-christmas-says-watchdog.html>).

⁸ See *Declaration of Toni Mayfield, CPA Regarding Request of 2019 AMT Refund Due to Quicksilver Resources, Inc.* (“**Mayfield Decl.**”) attached here to as **Exhibit D**.

22. In December 2020, the Liquidation Trustee also filed a Request for Taxpayer Advocate Service Assistance (Form 911), which stated that the Liquidation Trustee had submitted the 2019 Return pursuant to the prompt refund procedures and requested assistance from the Taxpayer Advocate Service to facilitate processing the tax return and payment of the 2019 AMT Refund. *Id.* at ¶ 5. The Taxpayer Advocate Service did not respond to the Form 911 or provide the requested assistance. *Id.*

23. The Liquidation Trustee's accountants also made several attempts to check the status of the 2019 AMT Refund through the IRS e-Services system. *Id.* at ¶ 6. For several months, the inquiry would fail and produce no results. However, in June 2021, the e-Service inquiry indicated that there was no record of filing the 2019 Return notwithstanding that the IRS did, in fact, receive the 2019 Return on July 15, 2020. *Id.* Also in June 2021, counsel for the Liquidation Trustee spoke with agents in the IRS Centralized Insolvency Operation ("CIO"). The CIO agents advised that the matter would be investigated, but the Liquidation Trustee did not receive a response for approximately two months and subsequent attempts by counsel to contact the CIO were unsuccessful. Immediately prior to filing this Motion, however, counsel to the Liquidation Trustee was contacted by the CIO agent and advised that the status of the 2019 AMT Refund was still under review. The CIO agent was also able to confirm that the 2019 Return was received by the IRS, but did not have further information regarding payment of the 2019 AMT Refund. The CIO agent was advised that the Liquidation Trustee intended to file this Motion and agreed to continue investigating the status of the 2019 AMT Refund while the Motion was pending.

24. Although the Liquidation Trustee understands the challenges faced by the IRS as a result of the global pandemic, the Liquidation Trustee believes that filing this Motion and seeking the assistance of this Court is the appropriate step to secure prompt payment of the 2019 AMT

Refund. The 2019 AMT Refund is the primary remaining asset to be collected by the Liquidation Trustee and the Liquidation Trustee is seeking to make final distributions to Liquidation Trust Beneficiaries and close these chapter 11 cases following the receipt of the 2019 AMT Refund. Given that the Liquidation Trust has already received the initial 50% of the Debtors' refundable AMT credits and in light of the 2018 AMT Refund Order approving such refunds, the Liquidation Trustee submits that the 2019 AMT Refund should be promptly paid to allow the Liquidation Trustee to complete distributions and close these chapter 11 cases.

RELIEF REQUESTED

25. The Liquidation Trustee submits this motion requesting entry of the Proposed Order pursuant to Bankruptcy Code sections 105(a) and 505(a) and Articles Nine and Twelve of the Plan, (a) finally determining that the Liquidation Trust is entitled to the 2019 AMT Refund and directing the IRS to promptly remit the 2019 AMT Refund to the Liquidation Trust and (b) authorizing the Liquidation Trustee to distribute the net proceeds of the 2019 AMT Refund to the Second Lien Liquidation Trust Beneficiaries after payment of any fees and expenses in accordance with the Plan and Trust Agreement.

BASIS FOR RELIEF

A. The Liquidation Trust is Entitled to the 2019 AMT Refund

26. 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.

27. 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").

28. 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.

29. 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.

30. 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 provided 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. § 53(e) (2017, amended 2020). Subsequently, the CARES Act modified the timetable for requesting refunds of AMT credits and allowed corporations to immediately claim unused AMT credits for tax year 2019. 26 U.S.C. § 53(e)(2), as amended by CARES Act § 2305.

31. 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, the Debtors 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. As described above, the Liquidation Trust received the 2018 AMT Refund on April 30, 2019 and this Court entered an order finally determining the Liquidation Trust's entitlement to such refund on December 12, 2019. Here, the Liquidation Trustee has requested the remaining portion of the 2019 AMT Refund pursuant to the prompt refund procedures set forth in Rev. Proc. 2010-27 and seeks entry of an order directing the IRS to pay the 2019 AMT Refund to the Liquidation Trust. The Liquidation Trustee is entitled to prompt payment of the 2019 AMT Refund so that he may distribute the net proceeds of the 2019 AMT Refund to the Second Lien Trust Beneficiaries in accordance with the Plan and the Trust Agreement.

32. In addition, the Liquidation Trustee seeks payment of statutory interest in accordance with the Internal Revenue Code. Pursuant to IRC 6611(a): “[i]nterest shall be allowed and paid upon any overpayment in respect of any internal revenue tax at the overpayment rate established under section 6621.” The Liquidation Trustee believes interest, as provided for in IRC 6611, is due and owed to the Liquidation Trust on account of the 2019 AMT Refund and should be calculated in accordance with applicable tax statutes and paid to the Liquidation Trust along with the principal amount of the 2019 AMT Refund. *See* 26 U.S. Code Sec. 6611, *et seq.*

B. The Court has Authority to Determine the Liquidation Trust’s Right to the 2019 AMT Refund

33. The Court has ample power and jurisdictional authority to determine the rights of the Liquidation Trust to the 2019 AMT Refund. First, under the plan and Confirmation Order, 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). Second, under Bankruptcy Code section 105(a), “[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title.” 11 U.S.C. § 105(a); *In re Combustion Engineering, Inc.*, 391 F.3d 190, 236 (3d Cir. 2004) (“[Section 105(a)] has been construed to give a bankruptcy court ‘broad authority’ to provide equitable relief appropriate to assure the orderly conduct of reorganization proceedings.”) (internal citation omitted).

34. Importantly, 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). Section 505 is specifically designed to facilitate the administration of the bankruptcy estate by allowing debtors to seek prompt resolution of tax issues and disputes. *See In re Stevens*, 210 B.R. 200, 202 (Bankr. M.D. Fla. 1997) (“Pursuant to the legislative history of § 505(a)(1), Congress clearly intended for the statute to allow bankruptcy courts to rapidly determine tax issues necessary for the efficient administration of the estate.”). Here, the Court should find that the 2019 AMT Refund has been properly requested and direct prompt payment to the Liquidation Trust.

35. 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 the formal request for the 2019 AMT Refund on July 13, 2020 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. In fact, more than one year will have passed since the request was properly made and the IRS has had ample time to make the payment notwithstanding the return processing delays as a result of the global pandemic. The final exception concerns ad valorem taxes on real and personal property, which exception is thus inapplicable.

36. Furthermore, the prompt payment of the 2019 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 to ensure prompt payment of the 2019 AMT Refund (including interest) is an appropriate exercise of business judgment and in the best interests of creditors. The 2019 AMT Refund is unquestionably an asset of the Liquidation Trust pursuant to section 1.1.70 of the Plan, section 1.1 of the Trust Agreement, and the 2018 AMT Refund Order. Therefore, the 2019 AMT Refund should be promptly paid to the Liquidation Trustee so that the net proceeds can be timely distributed to the Second Lien Liquidation Trust Beneficiaries.

37. Accordingly, the Liquidation Trustee requests that the IRS is directed to immediately pay the 2019 AMT Refund to the Liquidation Trust and its rights to such refund be finally determined in accordance with sections 105(a) and 505(a)(1) of the Bankruptcy Code.

NO PRIOR REQUEST

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

NOTICE

39. 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.

[remainder of page intentionally left blank]

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 2019 AMT Refund (including applicable statutory interest) and directing the IRS to promptly remit the 2019 AMT Refund to the Liquidation Trust, (b) authorizing the Liquidation Trustee to distribute the net proceeds of the AMT Refund to the Second Lien Liquidation Trust Beneficiaries after payment of any fees and expenses related to the 2019 AMT Refund, and (c) granting such other and further relief as the Court deems just and proper.

Wilmington, Delaware

Date: August 5, 2021

/s/ Amanda R. Steele

RICHARDS, LAYTON & FINGER, P.A.

Paul N. Heath (DE 3704)

Amanda R. Steele (DE 5530)

One Rodney Square

920 North King Street

Wilmington, Delaware 19801

Telephone: (302) 651-7700

Facsimile: (302) 651-7701

– and –

AKIN GUMP STRAUSS HAUER & FELD LLP

Sarah Link Schultz (admitted *pro hac vice*)

Rachel Biblo Block (DE 6012)

2300 North Field Street, Suite 1800

Dallas, Texas 75201

Telephone: (214) 969-2800

Facsimile: (214) 969-4343

Kevin Zuzolo (admitted *pro hac vice*)

One Bryant Park

New York, New York 10036

Telephone: (212) 872-1000

Facsimile: (212) 872-1002

COUNSEL FOR LIQUIDATION TRUSTEE

EXHIBIT A

Proposed Order

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

In re:)	
)	Chapter 11
)	
Quicksilver Resources Inc., <u>et al.</u> , ¹)	Case No. 15-10585 (LSS)
)	
Debtors.)	Jointly Administered
)	
)	Re: Docket No. ____
)	

**SECOND ORDER PURSUANT TO SECTIONS 105(a) AND 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 sections 105(a) and 505 and the authority granted in Articles Nine and Twelve of the Plan, granting the Liquidation Trust’s right to the 2019 AMT Refund and directing prompt payment thereof, 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:**

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.

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 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 sections 105(a) and 505(a) of the Bankruptcy Code, the Court finally determines that the Liquidation Trust (a) is entitled to the 2019 AMT Refund under applicable tax law and directs the IRS to promptly remit the 2019 AMT Refund to the Liquidation Trust and (b) may distribute the net proceeds of the AMT Refund in accordance with the Plan and the Trust Agreement.
3. The Liquidation Trustee is authorized to take all actions necessary to effectuate the relief granted pursuant to this Order.
4. This Court shall retain jurisdiction over all matters arising from or related to the implementation and interpretation of this Order.

EXHIBIT B

KWK Liquidation Trust
Eugene I. Davis, Liquidation Trustee
c/o Mannon Consulting LLC
7305 Willowood Drive
Cincinnati, OH 45241

July 13, 2020

VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Internal Revenue Service
Centralized Insolvency Operation
P.O. Box 7346
Philadelphia, PA 19101-7346

Re: Quicksilver Resources, Inc. (EIN: 75-2756163) – Submission of 2019 Tax Return
and Request for Prompt Refund

To Whom It May Concern:

Quicksilver Resources, Inc. and its affiliates (collectively, the “Debtors”) each filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”), Case No. 15-10585 (LSS). On August 16, 2016, the Bankruptcy Court confirmed the Debtors’ plan of liquidation (the “Plan”) and the effective date of the Plan occurred on August 31, 2016 (the “Effective Date”). Pursuant to the terms of the Plan, on the Effective Date, the KWK Liquidation Trust (the “Trust”) was established and Eugene I. Davis was appointed as liquidation trustee (“the “Liquidation Trustee”).

The Plan provides that the Liquidation Trustee shall “represent the interests and accounts of the Liquidation Trust or the Debtors’ Estates before any taxing authority in all matters including, without limitation, any action, suit, proceeding or audit.” *Plan*, Section 5.8. In addition, under the Trust Agreement section 3.5.11, the Trust shall “request any appropriate tax determination, including, without limitation, a determination pursuant to Section 505 of the Bankruptcy Code.”

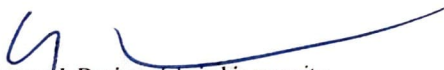
In connection with Quicksilver Resources, Inc.’s tax return for tax year ending 12/31/2018, Quicksilver received a refund relating to Alternative Minimum Tax (“AMT”) credits in the amount of \$21,454,784. On December 12, 2019, the Bankruptcy Court entered an order finally determining that the Trust was entitled to the refund and authorized the Trust to distribute the funds in accordance with the Plan and Trust Agreement [Docket No. 2213].

KWK Liquidation Trust
Eugene I. Davis, Liquidation Trustee
c/o Mannon Consulting LLC
7305 Willowood Drive
Cincinnati, OH 45241

Enclosed is the original Form 1120, U.S. Corporation Income Tax Return for the tax year ending 12/31/2019 for Quicksilver Resources Inc. (the "2019 Return"). The 2019 Return requests a refund in the amount of \$21,454,784.00. The refund relates to the remaining refundable portion of AMT credits. Section 2305 of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act accelerated the timetable for corporations to receive all remaining AMT credit refunds with the filing of the 2019 Return. The Liquidation Trustee is hereby submitting the 2019 Return enclosed herewith as a request for prompt refund pursuant to section 505(a) of the Bankruptcy Code and Rev. Proc. 2010-27.

Thank you for your attention to this matter. Please contact me if you have any questions.

Sincerely,



Eugene I. Davis, solely in his capacity
as Liquidation Trustee

cc: Lois A. Mannon, Mannon Consulting LLC
Toni Mayfield, CPA, Whitley Penn
Sarah Link Schultz, Esq., Akin Gump Strauss Hauer & Feld LLP
Thomas Weir, Esq., Akin Gump Strauss Hauer & Feld LLP
Kevin Zuzolo, Esq., Akin Gump Strauss Hauer & Feld LLP

U.S. Corporation Income Tax Return

OMB No. 1545-0123

Form **1120**

For calendar year 2019 or tax year beginning

ending

Department of the Treasury
Internal Revenue Service**2019**Go to www.irs.gov/Form1120 for instructions and the latest information.

A Check if:

- 1a Consolidated return (attach Form 991) ☒ **X**
- b Life/nonlife consolidated return ☐
- 2 Personal holding co. (attach Sch. PH) ☐
- 3 Personal service corp. (see instructions) ☐
- 4 Schedule M-3 attached ☒ **X**

TYPE
OR
PRINTName **QUICKSILVER RESOURCES INC.****AND SUBSIDIARIES**

Number, street, and room or suite no. If a P.O. box, see instructions.

7305 WILLOWOOD DRIVE

City or town, state or province, country, and ZIP or foreign postal code

CINCINNATI, OH 45241

B Employer identification number

75-2756163

C Date incorporated

12/18/1997

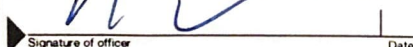
D Total assets (see instructions)

\$ 21,454,784.E Check if: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change

Income	1a Gross receipts or sales	1a	
	b Returns and allowances	1b	
	c Balance. Subtract line 1b from line 1a	1c	
	2 Cost of goods sold (attach Form 1125-A)	2	
	3 Gross profit. Subtract line 2 from line 1c	3	
	4 Dividends and inclusions (Schedule C, line 23)	4	
	5 Interest	5	
	6 Gross rents	6	
	7 Gross royalties	7	
	8 Capital gain net income (attach Schedule D (Form 1120))	8	
	9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)	9	
10 Other income (attach statement)	10		
11 Total income. Add lines 3 through 10	11		
Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (attach Form 1125-E)	12	
	13 Salaries and wages (less employment credits)	13	
	14 Repairs and maintenance	14	
	15 Bad debts	15	
	16 Rents	16	
	17 Taxes and licenses	17	
	18 Interest (see instructions)	18	
	19 Charitable contributions	19	
	20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	20	
	21 Depletion	21	
	22 Advertising	22	
	23 Pension, profit-sharing, etc., plans	23	
	24 Employee benefit programs	24	
	25 Reserved for future use	25	
	26 Other deductions (attach statement)	26	
	27 Total deductions. Add lines 12 through 26	27	
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11	28	0.
	Tax, Refundable Credits, and Payments	29a Net operating loss deduction (see instructions)	29a
b Special deductions (Schedule C, line 24)		29b	
c Add lines 29a and 29b		29c	
30 Taxable income. Subtract line 29c from line 28. See instructions	30	0.	
31 Total tax (Schedule J, Part I, line 11)	31	0.	
32 2019 net 965 tax liability paid (Schedule J, Part II, line 12)	32		
33 Total payments, credits, and section 965 net tax liability (Schedule J, Part III, line 23)	33	21,454,784.	
34 Estimated tax penalty. See instructions. Check if Form 2220 is attached	34		
35 Amount owed. If line 33 is smaller than the total of lines 31, 32, and 34, enter amount owed	35	0.	
36 Overpayment. If line 33 is larger than the total of lines 31, 32, and 34, enter amount overpaid	36	21,454,784.	
37 Enter amount from line 36 you want: Credited to 2020 estimated tax <input checked="" type="checkbox"/> Refunded <input type="checkbox"/>	37	21,454,784.	

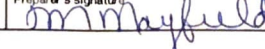
Sign
Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer  Date **7/17/20**

LIQUIDATING TRUSTEE

May the IRS discuss this return with the preparer shown below? ☒ Yes ☐ No

Paid Preparer Use Only	Print/Type preparer's name TONI MAYFIELD	Preparer's signature 	Date 7/17/20	Check if self-employed <input type="checkbox"/>	PTIN P00294181
	Firm's name WHITLEY PENN LLP	Firm's EIN 75-2393478			
	Firm's address 8343 DOUGLAS AVENUE, STE. 400 DALLAS, TX 75225	Phone no. (214) 393-9300			

511501
12-30-19

LHA For Paperwork Reduction Act Notice, see separate instructions.

Form 1120 (2019)

Schedule C Dividends, Inclusions, and Special Deductions (see instructions)	(a) Dividends and inclusions	(b) %	(c) Special deductions (a) x (b)
1 Dividends from less-than-20%-owned domestic corporations (other than debt-financed stock)		50	
2 Dividends from 20%-or-more-owned domestic corporations (other than debt-financed stock)		65	
3 Dividends on certain debt-financed stock of domestic and foreign corporations		see instructions	
4 Dividends on certain preferred stock of less-than-20%-owned public utilities		23.3	
5 Dividends on certain preferred stock of 20%-or-more-owned public utilities		26.7	
6 Dividends from less-than-20%-owned foreign corporations and certain FSCs		50	
7 Dividends from 20%-or-more-owned foreign corporations and certain FSCs		65	
8 Dividends from wholly owned foreign subsidiaries		100	
9 Subtotal. Add lines 1 through 8		see instructions	
10 Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958		100	
11 Dividends from affiliated group members		100	
12 Dividends from certain FSCs		100	
13 Foreign-source portion of dividends received from a specified 10%-owned foreign corporation (excluding hybrid dividends) (see instructions)		100	
14 Dividends from foreign corporations not included on line 3, 6, 7, 8, 11, 12, or 13 (including any hybrid dividends)			
15 Section 965(a) inclusion		see instructions	
16a Subpart F inclusions derived from the sale by a controlled foreign corporation (CFC) of the stock of a lower-tier foreign corporation treated as a dividend (attach Form(s) 5471) (see instructions)		100	
b Subpart F inclusions derived from hybrid dividends of tiered corporations (attach Form(s) 5471) (see instructions)			
c Other inclusions from CFCs under subpart F not included on line 15, 16a, 16b, or 17 (attach Form(s) 5471) (see instructions)			
17 Global intangible Low-Taxed income (GILTI) (attach Form(s) 5471 and Form 8992)			
18 Gross-up for foreign taxes deemed paid			
19 IC-DISC and former DISC dividends not included on line 1, 2, or 3			
20 Other dividends			
21 Deduction for dividends paid on certain preferred stock of public utilities			
22 Section 250 deduction (attach Form 8993)			
23 Total dividends and inclusions. Add column (a), lines 9 through 20. Enter here and on page 1, line 4			
24 Total special deductions. Add column (c), lines 9 through 22. Enter here and on page 1, line 29b			

Schedule J Tax Computation and Payment (see instructions)**Part I - Tax Computation**

1	Check if the corporation is a member of a controlled group (attach Schedule O (Form 1120))	<input type="checkbox"/>	
2	Income tax. See instructions		2 0.
3	Base erosion minimum tax amount (attach Form 8991)		3
4	Add lines 2 and 3		4 0.
5a	Foreign tax credit (attach Form 1118)	5a	
b	Credit from Form 8834 (see instructions)	5b	
c	General business credit (attach Form 3800)	5c	
d	Credit for prior year minimum tax (attach Form 8827)	5d	
e	Bond credits from Form 8912	5e	
6	Total credits. Add lines 5a through 5e		6
7	Subtract line 6 from line 4		7 0.
8	Personal holding company tax (attach Schedule PH (Form 1120))		8
9a	Recapture of investment credit (attach Form 4255)	9a	
b	Recapture of low-income housing credit (attach Form 8611)	9b	
c	Interest due under the look-back method-completed long-term contracts (attach Form 8697)	9c	
d	Interest due under the look-back method-income forecast method (attach Form 8866)	9d	
e	Alternative tax on qualifying shipping activities (attach Form 8902)	9e	
f	Other (see instructions - attach statement)	9f	
10	Total. Add lines 9a through 9f		10
11	Total tax. Add lines 7, 8, and 10. Enter here and on page 1, line 31		11 0.

Part II - Section 965 Payments (see instructions)

12	2019 net 965 tax liability paid from Form 965-B, Part II, column (k), line 3. Enter here and on page 1, line 32	12	
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Part III - Payments, Refundable Credits, and Section 965 Net Tax Liability

13	2018 overpayment credited to 2019	13	
14	2019 estimated tax payments	14	
15	2019 refund applied for on Form 4466	15	()
16	Combine lines 13, 14, and 15	16	
17	Tax deposited with Form 7004	17	
18	Withholding (see instructions)	18	
19	Total payments. Add lines 16, 17, and 18	19	
20	Refundable credits from:		
a	Form 2439	20a	
b	Form 4136	20b	
c	Form 8827, line 5c	20c	21,454,784.
d	Other (attach statement - see instructions)	20d	
21	Total credits. Add lines 20a through 20d	21	21,454,784.
22	2019 net 965 tax liability from Form 965-B, Part I, column (d), line 3. See instructions	22	
23	Total payments, credits, and section 965 net tax liability. Add lines 19, 21, and 22. Enter here and on page 1, line 33	23	21,454,784.

Form **1120** (2019)

Schedule K Other Information (see instructions)

1 Check accounting method: a <input type="checkbox"/> Cash b <input checked="" type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶ _____	Yes	No
2 See the instructions and enter the:		
a Business activity code no. ▶ 211120		
b Business activity ▶ OIL & GAS EXPL & DEV		
c Product or service ▶ OIL & GAS		
3 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? _____ If "Yes," enter name and EIN of the parent corporation ▶ _____		X
4 At the end of the tax year:		
a Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part I of Schedule G (Form 1120) (attach Schedule G) _____		X
b Did any individual or estate own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of the corporation's stock entitled to vote? If "Yes," complete Part II of Schedule G (Form 1120) (attach Schedule G) _____		X
5 At the end of the tax year, did the corporation:		
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation not included on Form 851 , Affiliations Schedule? For rules of constructive ownership, see instructions _____ If "Yes," complete (i) through (iv) below.		X

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock

b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions _____ If "Yes," complete (i) through (iv) below.		X
--	--	----------

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Country of Organization	(iv) Maximum Percentage Owned in Profit, Loss, or Capital

6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? See sections 301 and 316 _____ If "Yes," file Form 5452 , Corporate Report of Nondividend Distributions. See the instructions for Form 5452. If this is a consolidated return, answer here for the parent corporation and on Form 851 for each subsidiary.		X
7 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of the total voting power of all classes of the corporation's stock entitled to vote or at least 25% of the total value of all classes of the corporation's stock? _____ For rules of attribution, see section 318. If "Yes," enter: (a) Percentage owned ▶ _____ and (b) Owner's country ▶ _____ (c) The corporation may have to file Form 5472 , Information Return of a 25% Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business. Enter the number of Forms 5472 attached ▶ _____		X
8 Check this box if the corporation issued publicly offered debt instruments with original issue discount _____ ▶ <input type="checkbox"/>		
9 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$ _____		
10 Enter the number of shareholders at the end of the tax year (if 100 or fewer) ▶ _____		
11 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here _____ ▶ <input type="checkbox"/>		
If the corporation is filing a consolidated return, the statement required by Regulations section 1.1502-21(b)(3) must be attached or the election will not be valid.		
12 Enter the available NOL carryover from prior tax years (do not reduce it by any deduction reported on page 1, line 29a.) _____ ▶ \$ 165,919,074.		

Schedule K Other Information (continued from page 4)

	Yes	No
13 Are the corporation's total receipts (page 1, line 1a, plus lines 4 through 10) for the tax year and its total assets at the end of the tax year less than \$250,000?		X
If "Yes," the corporation is not required to complete Schedules L, M-1, and M-2. Instead, enter the total amount of cash distributions and the book value of property distributions (other than cash) made during the tax year ► \$		
14 Is the corporation required to file Schedule UTP (Form 1120), Uncertain Tax Position Statement? See instructions		X
If "Yes," complete and attach Schedule UTP.		
15a Did the corporation make any payments in 2019 that would require it to file Form(s) 1099?		X
b If "Yes," did or will the corporation file required Form(s) 1099?		
16 During this tax year, did the corporation have an 80%-or-more change in ownership, including a change due to redemption of its own stock?		X
17 During or subsequent to this tax year, but before the filing of this return, did the corporation dispose of more than 65% (by value) of its assets in a taxable, non-taxable, or tax deferred transaction?		X
18 Did the corporation receive assets in a section 351 transfer in which any of the transferred assets had a fair market basis or fair market value of more than \$1 million?		X
19 During the corporation's tax year, did the corporation make any payments that would require it to file Forms 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474) of the Code?		X
20 Is the corporation operating on a cooperative basis?		X
21 During the tax year, did the corporation pay or accrue any interest or royalty for which the deduction is not allowed under section 267A? See instructions		X
If "Yes," enter the total amount of the disallowed deductions ► \$		
22 Does the corporation have gross receipts of at least \$500 million in any of the 3 preceding tax years? (See sections 59A(e)(2) and (3))		X
If "Yes," complete and attach Form 8991.		
23 Did the corporation have an election under section 163(j) for any real property trade or business or any farming business in effect during the tax year? See instructions		X
24 Does the corporation satisfy one or more of the following? See instructions		X
a The corporation owns a pass-through entity with current, or prior year carryover, excess business interest expense.		
b The corporation's aggregate average annual gross receipts (determined under section 448(c)) for the 3 tax years preceding the current tax year are more than \$26 million and the corporation has business interest expense.		
c The corporation is a tax shelter and the corporation has business interest expense.		
If "Yes," to any, complete and attach Form 8990.		
25 Is the corporation attaching Form 8996 to certify as a Qualified Opportunity Fund?		X
If "Yes," enter amount from Form 8996, line 14 ► \$		

Form **1120** (2019)

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash				
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts	()		()	
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (att. stmt.)		21,454,784.		21,454,784.
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (att. stmt.)				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation	()		()	
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (att. stmt.)		21,454,784.		
15	Total assets		42,909,568.		21,454,784.
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (att. stmt.)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (att. stmt.)				
22	Capital stock: a Preferred stock				
	b Common stock				
23	Additional paid-in capital				
24	Retained earnings - Appropriated (attach statement)				
25	Retained earnings - Unappropriated		42,909,568.		21,454,784.
26	Adjustments to shareholders' equity (attach statement)				
27	Less cost of treasury stock		()		()
28	Total liabilities and shareholders' equity		42,909,568.		21,454,784.

Schedule M-1 **Reconciliation of Income (Loss) per Books With Income per Return**

Note: The corporation may be required to file Schedule M-3. See instructions.

1	Net income (loss) per books	0.	7	Income recorded on books this year not included on this return (itemize): Tax-exempt interest \$	
2	Federal income tax per books		8	Deductions on this return not charged against book income this year (itemize): a Depreciation \$ b Charitable contributions \$	
3	Excess of capital losses over capital gains		9	Add lines 7 and 8	
4	Income subject to tax not recorded on books this year (itemize):		10	Income (page 1, line 28) - line 6 less line 9	0.
5	Expenses recorded on books this year not deducted on this return (itemize): a Depreciation \$ b Charitable contributions \$ c Travel and entertainment \$				
6	Add lines 1 through 5	0.			

Schedule M-2 **Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)**

1	Balance at beginning of year	42,909,568.	5	Distributions: a Cash	
2	Net income (loss) per books	0.		b Stock	
3	Other increases (itemize):			c Property	
			6	Other decreases (itemize):	21,454,784.
			7	Add lines 5 and 6	21,454,784.
4	Add lines 1, 2, and 3	42,909,568.	8	Balance at end of year (line 4 less line 7)	21,454,784.

EXHIBIT C

7019 2280 0001 3562 6057

U.S. Postal Service™ CERTIFIED MAIL® RECEIPT Domestic Mail Only	
For delivery information, visit our website at www.usps.com ®.	
PHILADELPHIA, PA 19101	
Certified Mail Fee \$3.55	0346 10
Extra Services & Fees (check box, add fee as appropriate)	Postmark Here
<input type="checkbox"/> Return Receipt (hardcopy) \$0.00	
<input type="checkbox"/> Return Receipt (electronic) \$0.00	
<input type="checkbox"/> Certified Mail Restricted Delivery \$0.00	
<input type="checkbox"/> Adult Signature Required \$0.00	
<input type="checkbox"/> Adult Signature Restricted Delivery \$0.00	
Postage \$2.80	07/13/2020
Total Postage and Fees \$7.20	
Sent To IRS / Centralized Insolvency Operation	
Street and Apt. No. or PO Box No. PO Box 7346	
City, State, ZIP+4® Philadelphia, PA 19101-7346	
PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions	

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete items 1, 2, and 3. Print your name and address on the reverse so that we can return the card to you. Attach this card to the back of the mailpiece, or on the front if space permits. 	<p>A. Signature X</p> <p><input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p>
<p>1. Article Addressed to: Internal Revenue Service Centralized Insolvency Operation P.O. Box 7346 Philadelphia, PA 19101-7346</p>	<p>B. Received by (Printed Name)</p> <p>C. Date of Delivery</p>
<p>2. Article Number (Transfer from service label) 7019 2280 0001 3562 6057</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p> <p>RECEIVED JUL 15 2020</p>
<p>3. Service Type <input type="checkbox"/> Adult Signature <input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Certified Mail® <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Collect on Delivery Restricted Delivery</p>	<p>2029</p> <p><input type="checkbox"/> Priority Mail Express® <input type="checkbox"/> Registered Mail™ <input type="checkbox"/> Registered Mail Restricted Delivery <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Signature Confirmation™ <input type="checkbox"/> Signature Confirmation Restricted Delivery</p>
<p>PS Form 3811, July 2015 PSN 7530-02-000-9053</p>	<p>Domestic Return Receipt</p>

EXHIBIT D

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

In re:)	
)	Chapter 11
Quicksilver Resources Inc., <u>et al.</u> , ¹)	
)	Case No. 15-10585 (LSS)
Debtors.)	
)	Jointly Administered

**DECLARATION OF TONI MAYFIELD, CPA REGARDING REQUEST FOR
2019 AMT REFUND DUE TO QUICKSILVER RESOURCES, INC.**

I, Toni Mayfield, pursuant to 28 U.S.C. § 1746, hereby declare under penalty of perjury that the following is true and correct to the best of my knowledge, information, and belief:

1. I am a partner with Whitley Penn, which is a public accounting firm providing clients with a variety of services, including tax preparation services. I have provided tax services to Quicksilver Resources Inc. (“Quicksilver”), its subsidiaries and affiliates, and the Liquidation Trustee² since 2013. I submit this declaration (the “Declaration”) in support of the *Liquidation Trustee’s Second Motion for an Order Pursuant to Sections 105(a) and 505 of the Bankruptcy Code Granting the Liquidation Trust’s Rights to Certain Tax Refunds and Authorizing Distributions Thereof* (the “Motion”).

2. At the request of the Liquidation Trustee and his advisors, I prepared the Form 1120 U.S. Corporation Income Tax Return for the tax year ending December 31, 2019 for Quicksilver Resources Inc. (the “2019 Return”), which requested the 2019 AMT Refund in the

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].

² All capitalized terms not otherwise defined herein are to be given the meanings ascribed to them in the Motion.

amount of \$21,454,784. The 2019 AMT Refund related to the remaining refundable portion of AMT credits available to Quicksilver Resources Inc. I understand that counsel for the Liquidation Trustee submitted the 2019 Return pursuant to the IRS's specified procedures for requesting and receiving prompt payment of tax refunds owed to a bankruptcy estate pursuant to Bankruptcy Code section 505(a) and Rev. Proc. 2010-27. I also understand that the 2019 Return was received by the IRS on July 15, 2020.

3. It is my understanding that pursuant to Rev. Proc. 2010-27, the IRS is required to review the 2019 Return on an expedited basis and notify the Liquidation Trustee of a decision within 120 days of the filing of the refund claim, which period would have expired on November 12, 2020. As of the date hereof, the Liquidation Trustee and Whitely Penn, as tax preparer, have not been advised of a decision regarding the 2019 AMT Refund.

4. Due to the expiration of the statutory review period and lack of response from the IRS, I attempted to contact the IRS on multiple occasions to determine the status of the 2019 AMT Refund. I called the IRS Practitioner Priority Service on various occasions and often had difficulty getting through to an IRS agent due to high call volume. In some instances, I was on hold for more than one hour or was disconnected entirely. On or about November 19, 2020, I got through and spoke to an IRS agent whom acknowledged delays in processing tax returns and refund claims. The IRS agent advised that the status of the 2019 Return would be investigated, but I did not receive any further response.

5. As an additional approach to seek assistance in determining the status of the 2019 AMT Refund, on or about December 17, 2020, I submitted IRS Form 911 – Request for Taxpayer Advocate Service Assistance on behalf of Quicksilver Resources, Inc. The Form 911 stated that Quicksilver had submitted the 2019 Return pursuant to the prompt refund procedures

and requested assistance from the Taxpayer Advocate Service to facilitate the processing of the tax return and payment of the 2019 Refund. As of the date hereof, I have not received any response or correspondence from the Taxpayer Advocate Service.

6. In addition, since the expiration of the statutory review period, I have made several attempts to check the status of the 2019 AMT Refund through the IRS e-Services system. For several months, the inquiry through e-Services would fail and produce no results. Starting in June 2021, the results of the inquiry indicated that there was no record of filing of the 2019 Return. As noted above, the IRS did, in fact, receive the 2019 Return on July 15, 2020.

7. As described above, there have been numerous attempts made to determine the status of 2019 Return and such attempts have not resulted in a satisfactory response or payment of the 2019 AMT Refund owed to the Liquidation Trust.

[remainder of page intentionally left blank]

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Executed this __4th__ day of August, 2021.



Toni Mayfield

File a Motion:[15-10585-LSS Quicksilver Resources Inc.](#)

Type: bk Chapter: 11 v Office: 1 (Delaware)
 Assets: y Judge: LSS
 Case Flag: FeeDue, LEAD, SealedDoc(s), MEGA, CLMSAGNT, CONFIRMED, STANDOrder

U.S. Bankruptcy Court**District of Delaware**

Notice of Electronic Filing

The following transaction was received from Amanda R. Steele entered on 8/5/2021 at 5:44 PM EDT and filed on 8/5/2021

Case Name: Quicksilver Resources Inc.**Case Number:** [15-10585-LSS](#)**Document Number:** [2274](#)**Docket Text:**

Motion to Authorize // *Liquidation Trustee's Second Motion for an Order Pursuant to Sections 105(a) and 505 of the Bankruptcy Code Granting the Liquidation Trust's Rights to Certain Tax Refunds and Authorizing Distributions Thereof* Filed by Quicksilver Resources Inc.. Hearing scheduled for 9/1/2021 at 03:00 PM at US Bankruptcy Court, 824 Market St., 6th Fl., Courtroom #2, Wilmington, Delaware. Objections due by 8/25/2021. (Attachments: # (1) Notice # (2) Exhibit A # (3) Exhibit B # (4) Exhibit C # (5) Exhibit D) (Steele, Amanda)

The following document(s) are associated with this transaction:

Document description:Main Document**Original filename:**KWK - Motion.pdf**Electronic document Stamp:**

[STAMP bkcfStamp_ID=983460418 [Date=8/5/2021] [FileNumber=17177681-0]
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Document description:Notice**Original filename:**C:\fakepath\KWK - Notice.pdf**Electronic document Stamp:**

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Document description:Exhibit A**Original filename:**C:\fakepath\KWK - Ex A.pdf**Electronic document Stamp:**

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Document description:Exhibit B**Original filename:**C:\fakepath\KWK - Ex B.pdf**Electronic document Stamp:**

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Document description:Exhibit C**Original filename:**C:\fakepath\KWK - Ex C.pdf**Electronic document Stamp:**

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Document description:Exhibit D**Original filename:**C:\fakepath\KWK - Ex D.pdf**Electronic document Stamp:**

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15-10585-LSS Notice will be electronically mailed to:

Elihu Ezekiel Allinson, III on behalf of Creditor BlueStone Natural Resources II, LLC
 ZAllinson@SHA-LLC.com, ecf@williamsdullivanllc.com;hcoleman@sha-llc.com

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 joseph.argentina@faegredrinker.com, rokeysha.amos@faegredrinker.com

Daniel K. Astin on behalf of Creditor Behringer Harvard Burnett Plaza L.P.
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Matthew P. Austria on behalf of Defendant Byrd Oilfield Services, LLC
 maustria@werbsullivan.com

Joel B. Bailey on behalf of Debtor Quicksilver Resources Inc.
 Joel@HedrickKring.com, diane@hedrickkring.com

Brian A Baker on behalf of Interested Party National Oilwell Varco, L.P. d/b/a Tuboscope