

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re

SAMSON RESOURCES CORPORATION,
et al.,

Reorganized Debtors.

Chapter 11

Case No. 15-11934 (BLS)

(Jointly Administered)

Related Docket No. 2060

MEMORANDUM ORDER REGARDING TREMBLE FAMILY CLAIMS

Before the Court is the *Debtors' Amended Second Omnibus (Substantive) Claims Objection* (D.I. 2060) (the "Objection") which included an objection to the claims¹ of Wilmer Forrest Tremble, Jr., Billie Murphy Tremble, Sharon Tremble Donaldson and Selia Tremble Shawkey (collectively, the "Tremble Family"). The Tremble Family responded to the Objection (D.I. 2155) asserting that the Debtors must pay \$69.4 million in restitution to the Tremble Family pursuant to the *Debtors' Motion for Entry of Interim and Final Order Authorizing Payment of (i) Mineral Payments and (ii) Working Interest Disbursements* (the "Royalty Payment Motion," D.I. 7). As set forth in the Royalty Payment Motion (which was heard and approved by the Court at the outset of these cases), as of the Petition Date the Debtors operated, or had royalty and working interests in, approximately 8,700 oil and gas production sites: the motion sought to pay amounts due, if any, to the mineral and working interest holders of all production sites, not just those in which the Tremble Family may own a fractional royalty interest.²

¹ The claims are as follows: (i) \$69,400,000 priority claims, identified as claim no. 500, filed by Wilmer Forrest Tremble, Jr.; (ii) \$69,400,000.00 priority claim, identified as claim no. 529, filed by Billie Murphy Tremble; (iii) \$69,400,000 priority claim, identified as claim no. 530, filed by Sharon Tremble Donaldson; and (iv) \$69,400,000 priority claim, identified as claim no. 543, filed by Selia Tremble Shawkey (collectively, referred to as the "Tremble Claims").

² As noted, pursuant to the *Order Authorizing Debtors to Sell Certain Oil and Gas Assets Free and Clean of All Liens, Claims and Encumbrances* (the "Sale Order," D.I. 725), the Debtors sold the wells related to the Tremble

A. Parties' Arguments

On May 1 and 2, 2017, the Court held a trial on the Objection and heard argument from the Tremble Family in support of their claims.³ At trial, the Tremble Family asserted the following arguments: (i) that the Tremble Claims are entitled to secured status pursuant to §9.343 of the Texas Business and Commerce Code;⁴ (ii) that the Tremble Family did not have any communications with the Debtors prior to receiving royalty payments;⁵ and (iii) that the Tremble Family did not have a division order with the Debtors.⁶

At the trial, the Debtors asserted that they acquired their interest in the wells in which the Tremble Family owns their fractional royalty interest in July of 2014; and that pursuant to the Debtors' books and records, the Tremble Family was paid the full amount of their fractional royalty interest in the ordinary course of business. Further, in addition to the argument made at the trial on the Objection, the Court admitted into evidence the *Declaration of Lisa Johnson in Support of the Reorganized Debtors' Reply in Support of the Amended Second Omnibus (Substantive) Claims Objection to the Other Responding Claimants* (the "Johnson Declaration," D.I. 2331). The Johnson Declaration details each member of the Tremble Family's fractional royalty interest in each well, and provides payment detail as to each member of the Tremble Family.

Family's respective royalty interests at auction on April 1, 2016, to Proline Energy Resources, Inc., effective March 1, 2016.

³ The Trial Transcripts shall be referred to herein as (i) May 1, 2017 Hr'g Tr. page:line or (ii) May 2, 2017 Hr'g Tr. page:line. See D.I. 2351 and 2352.

⁴ May 2, 2017 Hr'g Tr. 10:18-25.

⁵ May 2, 2017 Hr'g Tr. 11:6-12:5.

⁶ May 2, 2017 Hr'g Tr. 12:16-23.

B. Standard of Review

When a claim objection is filed in a bankruptcy case, the burden of proof as to the validity of the claim “rests on different parties at different times.” *In re Allegheny Int’l, Inc.*, 954 F.2d 167, 173 (3d Cir. 1992). Bankruptcy Rule 3001(f) provides that a proof of claim which has been executed and properly filed constitutes *prima facie* evidence of the validity and amount of the claim. Fed. R. Bankr. P. 3001(f). Pursuant to Bankruptcy Code § 502(a), a claim that is properly filed under Rule 3001 and Code § 501 is “deemed allowed” unless a party in interest objects. 11 U.S.C. § 502(a). “The objecting party carries the burden of going forward with the evidence in support of its objection which must be of a probative force equal to that of the allegations of the creditor’s proof of claim.” *In re Kincaid*, 388 B.R. 610, 614 (Bankr. E.D. Pa. 2008) (citing *Allegheny*, 954 F.2d at 173–74). If the objecting party succeeds in overcoming the *prima facie* effect of the proof of claim, the ultimate burden of persuasion then rests upon the claimant to prove the validity of the claim by a preponderance of the evidence. *Id.*

In this case, the Tremble Family enjoys the benefit of the presumption embodied in Rule 3001 and section 502 of the Bankruptcy Code, and each of the Tremble Claims were deemed allowed upon filing. The Debtors have responded with competent evidence and arguments in opposition to each of the Tremble Claims. At trial, therefore, the burden lay with the Tremble Family to prove the validity of the Tremble Claims by a preponderance of the evidence. However, at trial, the Tremble Family did not provide any further evidence in support of their claims.

C. Analysis

i. The Debtors Purchased the Wells Related to the Tremble Family's Royalty Interests in 2014 and Sold Those Interests in 2016.

The record developed at trial reflects that the Debtors purchased their interest in the wells associated with the Tremble Claims in July 2014. The Debtors' interest in these wells and their association with the Tremble Family therefore began in July 2014. Thereafter, and as mentioned above, the Debtors sold their interest in the wells associated with the Tremble Claims to Proline Energy Resources, Inc., effective March 1, 2016. *See Order Authorizing Debtors to Sell Certain Oil and Gas Assets Free and Clear of All Liens, Claims, and Encumbrances* (D.I. 725). As a result, the funds and obligations related to the Tremble Family's royalty interest have been transferred to Proline.

The Tremble Family's claims that they did not have dealings with the Debtors prior to mid-2014 fits squarely with the facts before the Court. Furthermore, the Debtors purchased their interests subject to the seller's ownership interests, and the Debtors presented evidence that they have fully complied with the obligations they undertook when they purchased the interest in those wells in mid-2014. As a result, the Court finds that the Debtors have complied with their obligations to the Tremble Family.

ii. Calculation of Royalty Interests

The Debtors have submitted the Johnson Declaration, which has been admitted into evidence and contains support for the calculation and payment of the each member of the Tremble Family's royalty interest. At this stage of the proceedings, the Tremble Family had the burden to establish the amount of their claims and to rebut the Debtors' records and evidence of proper, regular payments related to the wells in which the Tremble Family has their royalty

interests. The Tremble Family did not put forth any evidence regarding the alleged errors in the Debtors' accounting for the each member of the Tremble Family's royalty payments. The Court finds that the Debtors have paid the Tremble Family all royalties earned in the ordinary course of the Debtors' businesses.

D. Conclusion

The Court will **SUSTAIN** the Second Omnibus Objection, in part and as set forth herein, and disallow the Tremble Claims in their entirety.⁷

IT IS SO ORDERED.

BY THE COURT:

Dated: July 11, 2017
Wilmington, Delaware


Brendan Linehan Shannon
Chief United States Bankruptcy Judge

⁷ Because the Court is disallowing the Tremble Claims, the Court does not reach the issue of whether the Tremble Claims are secured claims.