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**Four P Family Holdings, LP, and**  
**Byrd Family Limited Partnership**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

<b>IN RE:</b>	<b>§</b>	<b>Chapter 11</b>
	<b>§</b>	
<b>CHESAPEAKE ENERGY</b>	<b>§</b>	<b>CASE NO. 20-33233 (DRJ)</b>
<b>CORPORATION, et al.<sup>1</sup></b>	<b>§</b>	
	<b>§</b>	
<b>DEBTOR.</b>	<b>§</b>	

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**FOUR P FAMILY HOLDINGS, LP'S AND BYRD FAMILY LIMITED  
PARTNERSHIP'S APPLICATION FOR ALLOWANCE AND PAYMENT OF  
ADMINISTRATIVE CLAIMS PURSUANT TO 11 U.S.C. 503(A)**

**THIS PLEADING REQUESTS RELIEF THAT MAY BE ADVERSE TO  
YOUR INTERESTS.**

**IF NO TIMELY RESPONSE IS FILED WITHIN 21 DAYS FROM THE  
DATE OF SERVICE, THE RELIEF REQUESTED HEREIN MAY BE  
GRANTED WITHOUT A HEARING BEING HELD.**

**A TIMELY-FILED RESPONSE IS NECESSARY FOR A HEARING TO  
BE HELD. SUCH RESPONSE MUST BE FILED WITH THE COURT  
AND SERVED ON THE PARTY SENDING YOU THIS APPLICATION.**

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<sup>1</sup> A complete list of each of the Debtors in these Chapter 11 cases may be obtained on the website of the Debtors' proposed claims and notices agent at <http://dm.epiq11.com/chesapeake>. The location of Debtor Chesapeake Energy Corporation's principal place of business and the Debtor's service address in these Chapter 11 cases is 3100 North Western Avenue, Oklahoma City, Oklahoma 73118.

**TO THE HONORABLE DAVID R. JONES,  
UNITED STATES BANKRUPTCY JUDGE:**

Four P Family Holdings, LP ("Four P") and Byrd Family Limited Partnership ("Byrd"), creditors and parties in interest (collectively "Claimants") in the above-styled and captioned cases (these "Cases"), file their Application for Allowance and Payment of Administrative Claims Pursuant to 11 U.S.C. § 503(a) (the "Application"), seeking allowance and payment of two (2) administrative expense claims each in the amount of \$439,215.39 against the Chesapeake Energy Debtors (the "Debtors"), and would show this Court as follows:

**I.**

**JURISDICTION AND VENUE**

1. This Court has jurisdiction to hear this matter pursuant to 28 U.S.C. § 1334 and the standing order of reference from the District Court. This proceeding is a core proceeding under 28 U.S.C. § 157(b)(2). The statutory predicate for relief is 11 U.S.C. § 503(a).

**II.**

**SUMMARY OF RELIEF REQUESTED**

2. During the Chapter 11, the Debtors produced hydrocarbons, consisting of primarily natural gas, from leases in Louisiana in which Claimants had overriding royalty interests. In that period, the Debtors short-paid both Claimants in the amount of \$143,883.00, which is trebled under Louisiana law to \$431,648.99, plus attorneys' fees of \$7,566.40 each along with interest from the date the royalty payments were due for a total of \$151,449.40 each. The Debtors used the funds wrongfully withheld from Claimants to help run their Chapter 11 case and fund their business and operations. Claimants seek an Order allowing their administrative expense claims and compelling the Debtors to pay those claims within fourteen (14) days.

### III.

#### **FACTUAL AND PROCEDURAL BACKGROUND**

##### **A. The Debtors' Bankruptcy Case**

3. The Debtors filed their Chapter 11 Case on June 28, 2020 in this Court (the "Petition Date"). The Debtors maintained possession of their property and management of their financial affairs pursuant to 11 U.S.C. §§ 1107 and 1108 as debtor in possession.

3. The Debtors reorganized successfully. The Order Confirming the Debtors' Fifth Amended Joint Plan of Reorganization ("Plan") was entered on the Court's docket on January 16, 2021. The Plan became effective on February 9, 2021 (the "Effective Date").

4. Pursuant to a Notice sent by the Debtors, royalty and working interest owners were given until June 9, 2021 to file applications for payment of administrative claims. Pursuant to an agreement between the Debtors and the Claimants, this deadline has been extended to August 16, 2021.

##### **B. Claimants Overriding Royalty Interests**

5. Claimants hold overriding royalty interests in twenty-one (21) units and thirty-one (31) wells (currently) in Caddo Parish, Louisiana (the "Leases"). For the leases in the units in which Claimants own overriding royalty interests, they are entitled to receive their share of production as more thoroughly described in the assignments of overriding royalties as reflected in the conveyance records of Caddo Parish, Louisiana. A true and correct copy of the documents that create the overriding royalty interests are available upon request to Claimants' counsel.

6. The Debtors produced natural gas and other hydrocarbons from the units and wells during the bankruptcy Cases and are still doing so. Additionally, the Debtors continue to drill wells in the units. In the period between the Petition Date and the Effective Date, the Debtors short-paid each of the Claimants \$143,883, which is trebled under Louisiana law to

\$431,648.99, and along with attorneys' fees \$7,566.40, totals \$439,215.39, plus interest from the date each payment was due.

7. The Debtors used the wrongfully withheld royalty payments to fund their business operations during the Chapter 11 Cases and to fund their reorganization. Accordingly, the short payments are a cost of administration. Furthermore, the overriding royalty interest are real property interests in Louisiana and the funds wrongfully withheld never became property of the Debtors' bankruptcy estates. The Debtors owe that money back to Claimants.

#### IV.

#### **ARGUMENTS AND AUTHORITIES**

##### **A. Four P and Byrd are Entitled to a Section 503(b)(1)(A) Administrative Claim**

8. Section 503(a) of the Bankruptcy Code provides that "[a]n entity may timely file a request for payment of an administrative expense or may tardily file such request if permitted by the Court for cause." Section 503(b)(1) states that, "after notice and hearing, there shall be allowed administrative expenses ... including the actual, necessary costs and expenses of preserving the estate, including wages, salaries, and commissions for services rendered after the commencement of this case." For a claim to qualify for administrative priority, an expense must arise from a post-petition transaction between the claimant and the debtor in possession, and the consideration supporting the right to payment must have been supplied to and beneficial to the debtor-in-possession in the operation of its business. *In re Hostess Brand, Inc.*, 499 B.R. 406, 411 (S.D.N.Y. 2013).

9. Here, those elements were met. The Claimants owned overriding royalty interests that pre-dated the Debtors' bankruptcy filing and are still effective. After the Petition Date, the Debtors produced natural gas from the wells subject to the overriding royalty interests, sold the natural gas, and failed to pay the Claimants money owed to them under the governing documents

resulting from the Debtors' sale of the Claimants' share of production. The Debtors used the money to funds improperly withheld to funds their operations and pay other expenses of the reorganization. The money improperly withheld materially benefitted the Debtors in the period between the Petition Date and the Effective Date. Since the Debtors withheld actual cash from Claimants, there is no dispute of the value the Claimants involuntarily provided to the Debtors. The Claimants are each entitled to an administrative claim in the amount of \$439,215.39, plus interest from the date each payment was due until paid.

10. Since the funds were improperly withheld and the Debtors have known about the improper withholding for a substantial period of time, there is no reason to stay of the effective date of the Court's Order allowing the administrative claims. The Order should be made effective immediately upon entry, and the Debtors should be directed to pay within fourteen (14) days of entry.

V.

**PRAYER**

WHEREFORE, PREMISES CONSIDERED, Claimants, Four P and Byrd, respectfully request that the Court enter an Order: (i) granting the relief requested in this Motion; (ii) allowing Four P's and Byrd's administrative claims, pursuant to 11 U.S.C. § 503(a), in the amounts of \$439,215.39, plus interest from the date each payment was due, each against the Debtors; (iii) directing the Debtors to pay the allowed administrative claims within 14 days of the entry of the Order; and, (iv) granting Four P and Byrd such other and further relief to which they may be justly entitled, both at law and in equity.

August 16, 2021.

Respectfully submitted,

**WHITAKER CHALK SWINDLE & SCHWARZ PLLC**

By: /s/ **Robert A. Simon**

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**Attorneys for Administrative Claimants,  
Four P Family Holdings, LP and  
Byrd Family Limited Partnership**

**CERTIFICATE OF SERVICE**

I hereby certify on this 16th day of August 2021, I served a true and correct copy of the foregoing Application for Allowance and Payment of Administrative Claim upon all parties registered to receive service via this Court's ECF notification system, and via email to Kristhy M. Peguero at [kpeguero@jw.com](mailto:kpeguero@jw.com).

/s/ **Robert A. Simon**

Robert A. Simon