

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

In re:

Southland Royalty Company LLC,

Debtor.

Chapter 11

Case No. 20-10158 (KBO)

**AMENDED NOTICE OF INTENT TO CONDUCT BANKRUPTCY RULE
2004 EXAMINATION AND SUBPOENA TO PRODUCE DOCUMENTS**

TO: **MorningStar Partners, L.P.** (“MorningStar” or “You”) through its attorney of record, Matthew D. Cavanaugh, Jackson Walker LLP, 1401 McKinney St., Suite 1900, Houston, Texas 77010.

PLEASE TAKE NOTICE that, pursuant to Rules 2004, 7030, 7034, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”) and Rule 2004-1 of the Local Bankruptcy Rules of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”), the statutorily appointed Official Committee of Unsecured Creditors (the “Committee”) in the above-captioned chapter 11 bankruptcy case submits, through its undersigned counsel, this Notice of Intent to Conduct Bankruptcy Rule 2004 Examination and Subpoena to Produce Documents as follows:

1. The Committee, by and through its counsel, will conduct an examination pursuant to Bankruptcy Rule 2004 (the “Bankruptcy Rule 2004 Examination”) of MorningStar at 9:00 a.m. on Wednesday, June 10, 2020, or such other date(s) and at such other time(s) as shall be mutually agreed upon between You and the Committee.

2. The Bankruptcy Rule 2004 Examination will take place at the offices of Jackson Walker L.L.P., 777 Main St. #2100, Fort Worth, Texas 76102, unless otherwise agreed between You and the Committee. The examination will take place before a certified shorthand reporter, who will record the deposition stenographically, and/or by videotape.

3. The subject matter of the Bankruptcy Rule 2004 Examination will cover all matters relating to Your involvement with Southland Royalty Company, LLC (“Southland”), including pursuant to the Management Services Agreement entered into by and between You and Southland, the Amended and Restated Limited Liability Company Agreement of Southland, and all topics listed in Exhibit B attached hereto.

4. The Committee also requests that You produce to the attention of the undersigned counsel the documents listed in Exhibit A attached hereto no later than May 29, 2020, with rolling productions beginning no later than May 8, 2020.

5. Pursuant to Local Rule 2004-1, counsel for the Committee has conferred in good faith with MorningStar’s counsel regarding the date, time, and place of the Bankruptcy Rule 2004 Examination and documents requests. MorningStar does not oppose providing a Bankruptcy Rule 2004 Examination or producing documents at the requested dates, times, and places, but MorningStar reserves the right to object to particular examination topics or document requests.

Dated: April 28, 2020

Respectfully submitted,

FOX ROTHSCHILD LLP

BAKER BOTTS LLP

/s/ Seth A. Niederman

Thomas M. Horan (DE Bar No. 4641)
Seth A. Niederman (DE Bar No. 4588)

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***Proposed Counsel to the Official Committee of
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-and-

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EXHIBIT A: REQUESTS FOR PRODUCTION OF DOCUMENTS

DEFINITIONS

The following definitions apply to both Exhibit A and Exhibit B.

- A. “Additional Funding Request” shall have the meaning ascribed to it in the MSA.
- B. “Capital Budget” shall have the meaning ascribed to it in the MSA.
- C. “Communication” means any oral or written exchange of information, including, but not limited to, any telephone conversations, other oral conversations, meetings, correspondence, letters, notes, reports, telegrams, telefaxes, facsimile transmissions, email, and memoranda related to each communication to, from, within the hearing of, or witnessed by You.
- D. “Company Agreement” shall have the meaning ascribed to it in the MSA.
- E. “Direct Expense Budget” shall have the meaning ascribed to it in the MSA.
- F. “Document” means anything that may be considered to be a document or tangible thing within the meaning of the Federal Rules of Civil Procedure (including, but not limited to, papers, books, accounts, drawings, graphs, charts, photographs, electronic or videotape recordings, data, and data compilations) and means the original; any non-identical copy including those with any marginal notes or comments, or showing additions, deletions, or substitutions; drafts; and attachments or enclosures.
- G. “Including” means including, but not limited to.
- H. “EnCap IX” means EnCap Energy Capital Fund IX, L.P. and any affiliates, parents, direct or indirect subsidiaries, employees, agents, representatives, consultants, contractors, professionals, officers, directors, partners, members, persons controlling or in control of the partnership, any other person working on behalf of the partnership, or any other person currently or formerly acting or purporting to act on behalf of the partnership.

I. “EnCap X” means EnCap Energy Capital Fund X, L.P. and any affiliates, parents, direct or indirect subsidiaries, employees, agents, representatives, consultants, contractors, professionals, officers, directors, partners, members, persons controlling or in control of the partnership, any other person working on behalf of the partnership, or any other person currently or formerly acting or purporting to act on behalf of the partnership.

J. “Master Well List” means the catalogue of all wells that are the subject of or covered by the MSA.

K. “MorningStar” means MorningStar Partners, L.P. and any affiliates, parents, direct or indirect subsidiaries, employees, agents, representatives, consultants, contractors, professionals, officers, directors, partners, members, managers, persons controlling or in control of the partnership, any other person working on behalf of the partnership, or any other person currently or formerly acting or purporting to act on behalf of the partnership.

L. “MSA” means the Management Services Agreement, dated February 9, 2015, by and between Southland Royalty Company, LLC and MorningStar Partners, L.P., and all amendments and/or other modifications thereto.

M. “Petition Date” means January 27, 2020, the date the Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code with the United States Bankruptcy Court for the District of Delaware

N. “Relating to,” and any variation thereof, mean and include all documents that in any manner or form relate in any way to the subject matter in question, including, without limitations, all documents that contain, record, reflect, summarize, evaluate, comment upon, or discuss the subject matter in question or that in any manner state the background of, or were the basis for, or relate to, record, evaluate, comment upon, or were referred to, relied upon, utilized,

generated, transmitted, or received in arriving at conclusion(s), opinion(s), estimate(s), position(s), decision(s), belief(s), or assertion(s) concerning the subject matter in question.

O. “Southland” or the “Debtor” means Southland Royalty Company, LLC, a Delaware limited liability company, and any employees, agents, representatives, consultants, contractors, professionals, officers, directors, partners, members, managers, board of managers, persons controlling or in control of the company, any other person working on behalf of the company, or any other person currently or formerly acting or purporting to act on behalf of Southland Royalty Company, LLC.

P. “Southland GP” means Southland Royalty GP, LLC and any employees, agents, representatives, consultants, contractors, professionals, officers, directors, partners, members, managers, board of managers, persons controlling or in control of the company, any other person working on behalf of the company, or any other person currently or formerly acting or purporting to act on behalf of the company.

Q. “Southland Holdings” means Southland Holdings, LLC and any employees, agents, representatives, consultants, contractors, professionals, officers, directors, partners, members, managers, board of managers, persons controlling or in control of the company, any other person working on behalf of the company, or any other person currently or formerly acting or purporting to act on behalf of Southland Holdings, LLC.

R. “Southland Inc.” means Southland Royalty, Inc. and any employees, agents, representatives, consultants, contractors, professionals, officers, directors, board of directors, partners, members, managers, persons controlling or in control of the company, any other person working on behalf of the company, or any other person currently or formerly acting or purporting to act on behalf of Southland Royalty, Inc.

S. “Southland LP” means Southland Royalty, L.P. and any employees, agents, representatives, consultants, contractors, professionals, officers, directors, partners, members, managers, persons controlling or in control of the partnership, any other person working on behalf of the partnership, or any other person currently or formerly acting or purporting to act on behalf of Southland Royalty, L.P.

T. “You” or “Your” means MorningStar Partners, L.P.

INSTRUCTIONS

1. You are required to obtain and produce or provide all responsive documents and information in Your possession, available to You, or under Your control, or in the possession of, available to, or under the control of Your attorneys or agents.

2. If You refuse to answer any discovery request, in whole or in part, describe the basis for Your refusal to answer, including any claim of privilege or work product in sufficient detail so as to permit the Court to adjudicate the validity of Your refusal, and identify each Document or Communication for which a privilege is claimed. For example, if You withhold a Document, identify the specific privilege or other basis for withholding the Document and identify the Document’s (a) date; (b) author; (c) addresses and other recipients; and (d) subject matter.

3. Where the context herein makes it appropriate, each singular word shall include its plural and each plural shall include its singular.

4. Whenever the conjunctive is used, it shall also be taken to include the disjunctive, and vice versa.

5. The words “and” and “or” shall be both conjunctive and disjunctive.

6. The word “any” includes the word “all,” and “all” includes the word “any.”

7. If You claim an ambiguity in interpreting a request, You shall respond to the request and identify the language deemed to be ambiguous and the interpretation used in responding to the request.

8. All Documents are to be produced as kept in the usual course of business or organized and labeled to correspond to the specific requests set forth below. All attachments to the Documents, whether stapled, paper-clipped, or otherwise affixed, shall be produced and shall be attached to the Documents to which they relate in exactly the same manner in which they were found. All copies of Documents or items that are not identical to the originals by reason of handwritten comments, marginal notations, underlining, or otherwise shall be produced in addition to the originals.

9. If producing Documents maintained or kept in electronic format, produce those Documents in the electronic format in which they are ordinarily maintained and kept, and include all metadata for each and every Document.

10. If there are no Documents in existence that are responsive to a particular request, Your response must include a statement to that effect.

11. These requests are continuing. If You or any person acting on Your behalf obtains additional Documents called for by these requests after the time of the initial response, such Documents shall be promptly produced.

DOCUMENT REQUESTS

1. All Documents and Communications relating to the negotiation of the MSA.

2. All business plans, budgets, Capital Budgets, Direct Expense Budgets, forecasts, and financial projections relating to Southland, the MSA, or the assets, projects, or wells that are the subject of or covered by the MSA, including all business plans, budgets, Capital Budgets,

Direct Expense Budgets, forecasts, and financial projections shared by and between MorningStar and anyone else, including lenders, administrative agents, collateral agents, financial advisors, EnCap IX, EnCap X, Southland, Southland Holdings, Southland Inc., Southland GP, or Southland LP.

3. All presentations, including slide decks, relating to Southland, the MSA, or the assets, projects, or wells that are the subject of or covered by the MSA shared by and between MorningStar and anyone else, including lenders, administrative agents, collateral agents, financial advisors, EnCap IX, EnCap X, Southland, Southland Holdings, Southland Inc., Southland GP, or Southland LP.

4. All reports furnished by MorningStar to EnCap IX and EnCap X pursuant to the Company Agreement, including Section 7.1 thereof.

5. All minutes of meetings of, materials presented to, and resolutions or consents passed by Southland's board of managers.

6. All Documents and Communications relating to MorningStar's analysis of the profitability of the assets, projects, or wells that are the subject of or covered by the MSA.

7. All initial diligence conducted and received by MorningStar in connection with the MSA.

8. All invoices sent by MorningStar to Southland relating to the MSA for each of the 48 months preceding the Petition Date and for each month since the Petition Date.

9. Documents sufficient to show all of Southland's payments to MorningStar under the MSA during each of the 48 months preceding the Petition Date and for each month since the Petition Date.

10. Documents sufficient to show the production and market price of production obtained by MorningStar in relation to the MSA or the assets, projects, or wells that are the subject of or covered by the MSA for each of the 48 months preceding the Petition Date and for each month since the Petition Date.

11. All Documents and Communications relating to the reduction in payments under the MSA from Southland to MorningStar from approximately \$4,000,000 to approximately \$2,000,000.

12. All Documents and Communications relating to any reductions in payments under the MSA from Southland to Morningstar other than as set forth in Request 11 immediately above.

13. All Documents and Communications relating to any adjustments to MorningStar's production schedule in relation to the MSA or the assets, projects, or wells that are the subject of or covered by the MSA as a result of the reduction in payments under the MSA from Southland to Morningstar from approximately \$4,000,000 to approximately \$2,000,000.

14. All Documents and Communications relating to any adjustments to MorningStar's production schedule in relation to the MSA or the assets, projects, or wells that are the subject of or covered by the MSA as a result of any reduction in payments under the MSA from Southland to Morningstar other than as set forth in Request 14 immediately above.

15. All invoices sent by Cross Timbers Energy, LLC to Southland or MorningStar relating to any services provided by Cross Timbers Energy, LLC with respect to Southland, the MSA, or the assets, projects, or wells that are the subject of or covered by the MSA for each of the 48 months preceding the Petition Date and for each month since the Petition Date.

16. Documents sufficient to show all of Southland's or MorningStar's payments to Cross Timbers Energy, LLC relating to any services provided by Cross Timbers Energy, LLC with

respect to Southland, the MSA, or the assets, projects, or wells that are the subject of or covered by the MSA during each of the 48 months preceding the Petition Date and for each month since the Petition Date.

17. All Documents and Communications relating to any formal or informal valuation or consideration of the value of MorningStar's services under the MSA, including any market benchmarking studies performed relating to comparable company services.

18. Documents sufficient to show any ownership or other interest or relationship that any director, officer, manager, member, limited partner, general partner, or equity holder of Southland, Southland Holdings, Southland Inc., Southland GP, or Southland LP has or had in or with MorningStar.

19. Documents sufficient to show any ownership or other interest or relationship that any director, officer, manager, limited partner, general partner, or equity holder of MorningStar has or had in or with Southland, Southland Holdings, Southland Inc., Southland GP, or Southland LP.

20. All Documents and Communications relating to any investment agreements, funding agreements, or equity infusion agreements by and between any of Southland, MorningStar, EnCap IX, EnCap X, Southland Holdings, Southland Inc., Southland GP, or Southland LP.

21. All Documents and Communications relating to any requests by and between any of Southland, MorningStar, EnCap IX, EnCap X, Southland Holdings, Southland Inc., Southland GP, or Southland LP for financing, credit, equity infusions, equity investments, or cash, including any Additional Funding Requests, and all Documents and Communications relating to any responses to any such requests.

22. Documents sufficient to show any payments or distributions other than under the MSA made by Southland to MorningStar, EnCap IX, EnCap X, Southland Holdings, Southland Inc., Southland GP, or Southland LP during each of the 48 months preceding the Petition Date and since the Petition Date.

23. All Communications between Southland and MorningStar relating to Southland filing for bankruptcy.

24. All financial and operational reporting packages relating to the MSA or the assets, projects, or wells that are the subject of or covered by the MSA prepared during the 48 months preceding the Petition Date or since the Petition Date.

25. All Documents and Communications relating to the value or solvency of Southland, including (i) any formal or informal valuation or consideration of the value of Southland or any Southland asset; (ii) any formal or informal consideration or analysis of Southland's solvency or insolvency; (iii) any formal or informal consideration or analysis of Southland's ability to continue as a going concern; and (iv) any formal or informal consideration or analysis of Southland's credit or credit rating.

26. All Documents and Communications relating to Southland's defaults on its obligations, including environmental, lease, tort, tax, pension, and loan obligations.

27. All Documents and Communications relating to any attempts to market the assets, projects, or wells that are the subject of or covered by the MSA, whether through auction, competitive bidding, private placement, or other method.

28. All Documents and Communications relating to the MSA Master Well List, including well status, shut-in dates, and production values.

29. All Documents and Communications relating to the schedule (by well and field) of estimated plugging and abandonment costs associated with the MSA or the assets, projects, or wells that are the subject of or covered by the MSA, including all assumptions and calculations.

30. Documents sufficient to show the most recent third-party audited reserve reports relating to the MSA or the assets, projects, or wells that are the subject of or covered by the MSA.

31. All Documents and Communications relating to asset development plans, supporting reserve reports, and acreage value opinions in connection with the MSA or the assets, projects, or wells that are the subject of or covered by the MSA, including any asset development plans proposed by other working interest owners and joint venture partners.

32. All Documents or Communications relating to the decision and rationale to drill each well that is the subject of the MSA over the 48 months preceding the Petition Date and each month since the Petition Date, including any rate of return, internal rate of return, or other similar models or analyses.

33. All authority for expenditures for each well that is the subject of or covered by the MSA drilled or completed in the 48 months preceding the Petition Date and since the Petition Date.

34. Documents sufficient to show all internal controls, processes, and protocols in connection with the development and approval of authority for expenditures, including levels of authority for approvals and designated approving personnel.

35. All Documents or Communications relating to operational and financial reviews of performance or profitability conducted on a field-level or well-level basis, including any field reviews, well reviews, and any analyses performed in connection with decisions to shut-in or continue producing wells and fields completed during the 48 months preceding the Petition Date.

36. All detailed financial and operation reporting packages and financial statements of MorningStar showing MorningStar's profitability and earnings resulting from the MSA during the 48 months preceding the Petition Date and since the Petition Date.

37. Documents sufficient to show the full compensation details for each of the directors, officers, employees, managers, board of managers, or other governing body of Southland, Southland Holdings, Southland Inc., Southland GP, or Southland LP for the last 48 months.

38. All Documents and Communications relating to any internal employee compensation studies performed or third-party commissioned employee compensation studies in connection with establishing compensation and salaries for each MorningStar employee or officer providing services under the MSA.

39. Documents sufficient to show the full compensation details for each MorningStar employee or officer providing services under the MSA.

40. All Documents and Communications relating to periodic compensation increases for each MorningStar employee or officer providing services under the MSA, including performance reviews and evaluations.

41. All Documents and Communications relating to tracking, reporting, and submission of time expended by MorningStar employees or officers relating to services provided under the MSA, including timesheets, timecards, and attendance rosters.

EXHIBIT B: MATTERS FOR EXAMINATION

1. The MSA, including its terms and amendments or other modifications, and the negotiation of such terms and amendments or other modifications.
2. Business plans, budgets, Capital Budgets, Direct Expense Budgets, forecasts, and financial projections relating to Southland, the MSA, or the assets, projects, or wells that are the subject of or covered by the MSA, including business plans, budgets, Capital Budgets, Direct Expense Budgets, forecasts, and financial projections shared by and between MorningStar and anyone else, including lenders, administrative agents, collateral agents, financial advisors, EnCap IX, EnCap X, Southland, Southland Holdings, Southland Inc., Southland GP, or Southland LP.
3. Presentations, including slide decks, relating to Southland, the MSA, or the assets, projects, or wells that are the subject of or covered by the MSA shared by and between MorningStar and anyone else, including lenders, administrative agents, collateral agents, financial advisors, EnCap IX, EnCap X, Southland, Southland Holdings, Southland Inc., Southland GP, or Southland LP.
4. Reports furnished by MorningStar to EnCap IX and EnCap X pursuant to the Company Agreement, including Section 7.1 thereof.
5. Meetings of, materials presented to, and resolutions and consents passed by Southland's board of managers.
6. The profitability (or lack thereof) of the assets, projects, or wells that are the subject of or covered by the MSA.
7. MorningStar's invoices to Southland, and Southland's payments to MorningStar, relating to the MSA

8. Cross Timbers Energy, LLC's invoices to Southland or MorningStar, and Southland's or MorningStar's payments to MorningStar, relating to Southland, the MSA, or the assets, projects, or wells that are the subject of or covered by the MSA.

9. The production and market prices of production obtained by MorningStar in relation to the MSA or the assets, projects, or wells that are the subject of or covered by the MSA.

10. The reduction of payments under the MSA by Southland to MorningStar from approximately \$4,000,000 to \$2,000,000 and any other reduction of payments under the MSA, and any adjustments to MorningStar's production schedule as a result of such reductions.

11. The value of MorningStar's services under the MSA.

12. Any ownership or other interest or relationship any director, officer, manager, member, limited partner, general partner, or equity holder of Southland, Southland Holdings, Southland Inc., Southland GP, or Southland LP has with or in MorningStar.

13. Any ownership or other interest or relationship any director, officer, manager, limited partner, general partner, or equity holder of MorningStar has with or in Southland, Southland Holdings, Southland Inc., Southland GP, or Southland LP.

14. Investment agreements, funding agreements, or equity infusion agreements by and between any of Southland, MorningStar, EnCap IX, EnCap X, Southland Holdings, Southland Inc., Southland GP, or Southland LP.

15. Requests by and between any of Southland, MorningStar, EnCap IX, EnCap X, Southland Holdings, Southland Inc., Southland GP, or Southland LP for financing, credit, equity infusions, equity investments, or cash, including Additional Funding Requests, and responses to same.

16. Payments or distributions made by Southland to MorningStar, EnCap IX, EnCap X, Southland Holdings, Southland Inc., Southland GP, or Southland LP other than pursuant to the MSA.

17. The financial health, solvency, insolvency, and value of Southland.

18. Financial and operational reporting packages relating to the MSA or the assets, projects, or wells that are the subject of or covered by the MSA.

19. Southland's defaults on its obligations, including environmental, lease, tort, tax, pension, and loan obligations.

20. Attempts to market the assets that are the subject of or covered by the MSA, whether through auction, competitive bidding, private placement, or other method.

21. The wells that are the subject of or covered by the MSA, including well status, shut-in date, production value, and the schedule of all estimated plugging and abandonment costs.

22. The most recent third-party audited reserve reports relating to the MSA or the assets, projects, or wells that are the subject of or covered by the MSA.

23. Asset development plans, supporting reserve reports, and acreage value opinions relating to the MSA generated by MorningStar, commissioned, or proposed by other working interest owners and joint venture partners.

24. The decision and rationale to drill each well that is the subject of or covered by the MSA over the 48 months preceding the Petition Date and since the Petition Date.

25. Authority for expenditures for each well that is the subject of or covered by the MSA drilled or completed in the 48 months preceding the Petition Date and since the Petition Date.

26. Time, effort, and compensation of MorningStar officers or employees devoted to providing services to Southland under the MSA or the Company Agreement.