

**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)

**SECOND AMENDED NOTICE OF INTENT TO CONDUCT
BANKRUPTCY RULE 2004 EXAMINATION**

TO: **MorningStar Partners, L.P.** 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 Rule 2004 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 Second Amended Notice of Intent to Conduct Bankruptcy Rule 2004 Examination 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 Partners, L.P. (“MorningStar” or “You”) at 9:00 a.m. on Thursday, August 20, 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 be taken by remote videoconference utilizing the secure web-based process offered by Lexitas LegalView, unless otherwise agreed between You and the Committee. The parties who wish to participate may do so via LegalView, videoconference, and/or telephonically. The court reporter may also be participating remotely using one of these options, and may not be in the physical presence of the deponent. Parties are

encouraged to contact Lexitas LegalView in order to learn about the secure web-based process. The Committee will provide the necessary credentials, call-in numbers, and related information.

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. 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.

5. PLEASE TAKE FURTHER NOTICE that during the examination, there shall be no communication with the deponent while on-the-record, except such communication that is audible to all parties and recorded/transcribed. In particular, there shall be no communication with the witness through non-verbal means such as text message, chat applications, written notes, or otherwise. The Committee reserves the right to place a second camera that captures, while on-the-record, what the deponent is observing (e.g., capturing the deponent’s hands, key strokes, and computer monitor).

Dated: August 07, 2020

Respectfully submitted,

FOX ROTHSCHILD LLP

BAKER BOTTS LLP

/s/ Thomas M. Horan

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EXHIBIT B: MATTERS FOR EXAMINATION

DEFINITIONS

- 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. “Company Agreement” shall have the meaning ascribed to it in the MSA.
- D. “Direct Expense Budget” shall have the meaning ascribed to it in the MSA.
- E. “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.
- F. “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.
- G. “Master Well List” means the catalogue of all wells that are the subject of or covered by the MSA.
- H. “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.

I. “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.

J. “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

K. “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.

L. “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.

M. “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.

N. “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.

O. “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.

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

EXAMINATION TOPICS

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.