UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

SANARE ENERGY PARTNERS, LLC,	§	
	§	CIVIL ACTION NO. 4:21-CV-2443
Appellant,	§	
VS.	§	CHAPTER 11
	§	CASE NO. 18-36322 (DRJ)
PETROQUEST ENERGY, L.L.C.,	§	
	§	JOINTLY ADMINISTERED
Appellee.	§	ADVERSARY NO. 19-03329

MEMORANDUM AND OPINION

I.

This is an appeal from the United States Bankruptcy Court for the Southern District of Texas, bankruptcy case number H-18-36322. The appeal is taken pursuant to Title 28 U.S.C. § 158(a)(1) from a Final Order entered in the Bankruptcy Court in adversary cause number H-19-03329. The appellant, Sanare Energy Partners, LLC ("Sanare") filed an adversary complaint seeking a declaratory judgment that a Purchase and Sale Agreement ("PSA" between Sanare and the appellee, PetroQuest Energy, LLC ("PetroQuest") was never consummated. After considering Sanare's motion for summary judgment and PetroQuest's motion for partial summary judgment, the Bankruptcy Court entered its Order denying Sanare's motion. This Court AFFIRMS the Bankruptcy Court's Final Order.

II.

The dispute between Sanare and PetroQuest arises from the PSA between the two after PetroQuest entered into bankruptcy. According to Sanare, the dispute concerns PetroQuest's failure acquire the necessary consents for the transfer of the West Delta 89 Lease and the West Delta 89 D Platform No. 2443 ["the WD89 Properties"]. Under the terms of the PSA, certain offshore oil and gas properties, located on the Outer Continental Shelf ("OCS") along with certain contracts and related assets were slated to be transferred to Sanare ("the Assets"). The Assets list also included a Platform Use and Production Processing Agreement ("PHA") that permitted Sanare access to the Platform for service and any intended production. The transaction closed on January 31, 2018.

Section 4.4 of the PSA required PetroQuest to obtain all necessary consents to effectuate the transfer by the closing date, "or otherwise as Customary Post-Closing Consents. It is undisputed that PetroQuest did not obtain the written consents to transfer of Eni US Operating Co., Inc., ("Eni")[1] and the Bureau of Ocean Energy Management ("BOEM"), the federal regulatory agency that govern oil and gas production in the OCS.

[1] Eni is no longer a party to the Advisory Proceeding

PetroQuest and its affiliates[2] filed for Chapter 11 bankruptcy on November 5, 2018. At the time, PetroQuest still had not obtained BOEM's consent to transfer the Assets and the WD 89 Properties. Shortly, thereafter, the WD89 Lease terminated. Nevertheless, PetroQuest continued to be listed as the owner of the WD89 Properties and the Assets even though PetroQuest argued that a transfer had occurred. To add flavor to the mix, the chapter 11 confirmation order entered by the Bankruptcy Court on January 31, 2019, approving PetroQuest's plan, expressly prohibited PetroQuest from transferring any of its federal offshore leases.

III.

The dispute between Sanare and PetroQuest is whether the PSA is binding and, thereby, passed from PetroQuest to Sanare the WD89 Properties and related assets and obligations under the PHA as described in the PSA.[3] Sanare asserts that the Bankruptcy Court erred when it held that the transfer was effectual because: (a) its findings are inconsistent with and in conflict with a previous court ruling that denied summary judgment to PetroQuest; (b) PetroQuest failed to obtain the required consents to convey the WD89 Properties; (c) PetroQuest is bound by the confirmation order and, therefore, cannot now effect or claim that a transfer occurred without the consent of BOEM; and, (d) BOEM has not consented to the

[2] The Debtors in these Chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number are as follows: PetroQuest Energy, Inc. (0714), PetroQuest Energy, L.L.C. (2439), TDC Energy LLC (8877), PetroQuest Oil & Gas, L.L.C. (1170), PQ Holdings LLC (7576), Pittrans Inc., (1747) and Sea Harvester Energy Development, L.L.C. (5903).

[3] After the Bankruptcy Court addressed the parties' motions, the parties entered into an agreement dismissing without prejudice all remaining claims, thereby, permitting the Bankruptcy Court's Order to become final.

PSA and the WD 89 Lease has since terminated. Hence, the WD89 Lease cannot constitute or be listed as an asset by PetroQuest. As expected, PetroQuest takes the opposite view of the PSA, the PHA and the weight to be given to PetroQuest's failure to obtain certain consents concerning the transfer of the WD 89 Lease and related Assets.

IV.

In the Court's opinion and in accordance with the PSA, Sanare expressly assumed the obligations and liabilities related to the plugging, abandonment and decommissioning obligations, the PSA obligations and all other end-of-lease obligations with respect to the Assets. The Court reaches this conclusion based on the terms of the PSA. Notably, the terms of the PSA are undisputed. In this regard, the Court need not address each of the separate issues raised by Sanare because they are not material as to whether the PSA was consummated.

Sanare took control of the WD89 Properties and operated the Properties as though the PSA was fully consummated. In fact, Sanare's initial position in this adversary proceeding confirms this point. It is clear to the Court, as is manifested by Sanare's conduct, that the PSA between PetroQuest and Northstar Offshore Venture, LLC n.k.a. Sanare of January 31, 2018, (the "PSA") is unambiguous. As well, the Lease WD 89 – OCS-G 1088, the West Dallas 89 wells D1 through D5, and West Delta 89 D Platform No. 2443, constitute "Assets" as that term is defined

in the PSA, and as such, under Section 11.1 of the PSA, they were Assets to which all obligations and liabilities were assumed by Sanare as set forth in Section 11.1.

Summary judgment is appropriate where there is no "genuine" issue of a material fact and the movant shows that it is entitled to judgment as a matter of law. Fed. R. Civ. P., Rule 56(a). "A fact is material only if its resolutions would affect the outcome of the actions . . . and an issue is genuine only if the evidence is sufficient for a reasonable jury to return a verdict for the movant [Sanare]." *Wiley v. State Farm Fire and Cas. Co.,* 585 F.3d 206, 210 (5th Cir. 2009). The Court HOLDS that there are no genuine material facts that require resolution by a jury and, therefore, summary judgment should issue in behalf of PetroQuest.

The Court AFFIRMS the Bankruptcy Court's Final Order.

SIGNED on this 22nd day of November, 2021.

Kenneth M. Hoyt
United States District Judge