

ENTERED

July 18, 2023

Nathan Ochsner, Clerk

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

In re:

MULE SKY LLC, *et al.*

Reorganized Debtors

Chapter 11

Case No. 20-35561 (DRJ)
(Jointly Administered)

(Formerly Administered under Lead Case
Gulfport Energy Corporation, Case No. 20-
35562)

CONTESTED MATTER

Docket Nos. 441 and 571

**FINAL FINDINGS OF FACT AND CONCLUSIONS OF LAW AND ORDER
ON DEBTOR'S OBJECTIONS TO GATEWAY ROYALTY'S
PROOFS OF CLAIM NOS. 1108 AND 1109**

1. Gateway Royalty II, LLC and Gateway Royalty III, LLC ("Claimants") filed claims to recover collectively \$764,010.18 in deductions from Claimants' overriding oil and gas royalty payments as set forth in Claim No. 1108 and No. 1109, respectively (the "Claims"). Through the *Reorganized Debtors Fortieth Omnibus Objection to Certain Proofs of Claim (No Liability Claims)* [Docket No. 415], the Reorganized Debtors objected to the Claims asserting the deductions were permitted under the terms of the written agreements between the parties.

2. On November 23, 2022, Claimants moved for summary judgment on Reorganized Debtors' claim objections. [Docket Nos. 589-591]. On November 25, 2022, the Reorganized Debtors also moved for summary judgment. [Docket No. 592]. On February 21, 2023, the Court conducted a hearing on the claim objections. The Court issued its *Order Partially Overruling*

Debtor's Objections to Claimants' Claim Nos. 1108 and 1109 and Findings of Fact and Conclusions of Law [Docket No. 711] (the "Partial Order") on May 18, 2023. The Partial Order partially overruled the Reorganized Debtors' objections to the Claims, overruling all objections to cost deductions except for the costs for fractionation, and set a final evidentiary hearing on the fractionation costs for July 18, 2023 [Docket No. 710] (the "Final Hearing"). The Final Hearing was then re-noticed for June 28, 2023.

3. Having fully considered the briefs, exhibits thereto, arguments of counsel and the relevant case law, and the testimony presented and exhibits admitted at the Final Hearing, the Court SUSTAINS the remainder of the Reorganized Debtors' objections to the Claims and further makes the following findings of fact and conclusions of law.

4. This matter is a core proceeding pursuant to 28 U.S.C. §157 and this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334. The Court may enter a final order consistent with Article III of the United States Constitution and the Court finds that venue of this proceeding in this district is permissible pursuant to 28 U.S.C. §§ 1408 and 1409.

5. The Court affirms the Parties stipulation for the following amounts:

	Gateway Royalty II – Deductions from Inception through November 13, 2020	Gateway Royalty III – Deductions from Inception through November 13, 2020
Processing	\$156,384.99	\$138,953.58
Gathering	\$151,586.34	\$154,057.48
Compression	\$43,696.38	\$56,299.43
Fractionation	\$5,460.29	\$13,450.30

6. The Court finds any fractionation costs withheld by the Reorganized Debtors were proper under the Assignment. The Reorganized Debtors' objections to proof of claim nos. 1108

and 1109 are SUSTAINED as to the withholdings for fractionation. The Court has already overruled the Reorganized Debtors' objections as to the deductions for transportation, gathering, processing and compression, the amounts of which are now fixed as stipulated by the Parties in paragraph 5 herein.

7. The Reorganized Debtors' claims, noticing, and solicitation agent, Epiq is authorized to update the claims register maintained in these chapter 11 cases to reflect the relief granted in this Order.

8. This is a final order, disposing of all remaining parties and claims related to this contested matter. The Court retains exclusive jurisdiction with respect to all matters arising from or related to the implementation, interpretation, and enforcement of this Order.

Signed: July 18, 2023.



DAVID R. JONES
UNITED STATES BANKRUPTCY JUDGE

APPROVED AS TO FORM AND SUBSTANCE ON JULY 14th, 2023

/s/ Javier Gonzalez

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