

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

In re:)	
)	Chapter 11
SAMSON RESOURCES CORPORATION, <i>et al.</i> , ¹)	Case No. 15-11934 (CSS)
)	
Debtors.)	(Jointly Administered)
)	
)	Re: Docket No. 1322 and 1512

**DEBTORS’ REPLY TO BAKKEN HUNTER LLC’S PRELIMINARY OBJECTION
AND RESERVATION OF RIGHTS TO DEBTORS’ MOTION FOR ENTRY OF
AN ORDER (I) ESTABLISHING BIDDING PROCEDURES AND GRANTING
RELATED RELIEF AND (II) APPROVING THE SALE OF CERTAIN ASSETS
FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES, AND INTERESTS**

The above-captioned debtors and debtors in possession (collectively, the “Debtors”) file this omnibus reply to the preliminary objection and reservation of rights filed by Bakken Hunter LLC (“Bakken Hunter”) [Docket No. 1512] (the “Bakken Hunter Objection and respectfully state the following in support of the *Debtors’ Motion for Entry of an Order (I) Establishing Bidding Procedures and Granting Related Relief and (II) Approving the Sale of Certain Assets Free and Clear of Liens, Claims, Encumbrances, and Interests* [Docket No. 1332] (the “Sale Motion”) and the *Supplement to Debtors’ Motion for Entry of an Order (I) Establishing Bidding Procedures and Granting Related Relief and (II) Approving the Sale of Certain Assets Free and Clear of Liens, Claims, Encumbrances, and Interests* [Docket No. 1349] (the “Sale Motion Supplement”):

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, include: Geodyne Resources, Inc. (2703); Samson Contour Energy Co. (7267); Samson Contour Energy E&P, LLC (2502); Samson Holdings, Inc. (8587); Samson-International, Ltd. (4039); Samson Investment Company (1091); Samson Lone Star, LLC (9455); Samson Resources Company (8007); and Samson Resources Corporation (1227). The location of parent Debtor Samson Resources Corporation’s corporate headquarters and the Debtors’ service address is: Two West Second Street, Tulsa, Oklahoma 74103.

INTRODUCTION

1. Like other objections filed with respect to the Sale Motion, the Bakken Hunter Objection does not challenge the proposed Sale Transactions (or the Debtors' business judgment in choosing to pursue them). Instead, the Bakken Hunter Objection seeks to protect its purported interests. The Debtors have had discussions with Bakken Hunter and have offered to resolve certain of these objections through the addition of clarifying language to the proposed sale order on the Williston asset sale and will continue to discuss a potential resolution with Bakken Hunter, the Buyer (as defined in the Williston APA), and other key parties in interest. While the Bakken Hunter Objection remains outstanding, the Debtors are hopeful that it will be resolved before the sale hearing. To the extent any portion of the Bakken Hunter Objection remains unresolved, however, the Debtors submit, for the reasons explained below, that those objections should be overruled.

2. The Bakken Hunter Objection relates to the Debtors' Asset Purchase Agreement, which is Exhibit C- 2 to the Sale Motion, (the "Williston APA") with Resource Energy Can-Am LLC ("Resource Energy") as to the Williston asset package consisting of, *inter alia*, approximately 830,000 gross acres (57,000 net acres) in North Dakota and Montana, and 288 wells, 124 of which are operated by Debtor Samson Resource Company for a purchase price of \$75,000,000.00 plus the assumption of Assumed Liabilities (as defined in the Williston APA).

3. Prior to the Debtors' bankruptcy filing, Debtor Samson Resource Company, Baytex Energy USA Ltd. and Nuloch America Corp. entered into a Model Form Operating Agreement dated January 1, 2010, as amended (the "JOA"). Bakken Hunter is the successor in interest to Baytex Energy USA Ltd. and Nuloch America Corp. under the JOA.

4. Under the Williston APA, the JOA is an Excluded Asset as a result of the inclusion of the JOA by Resource Energy as an Excluded Contract (*i.e.*, a contract which

Resource Energy has not requested the Debtors to seek assumption and assignment to Resource Energy under the Sale Motion). After a dialogue between the Debtors and Bakken Hunter, Resource Energy has confirmed that it is not seeking the Debtors to assume and assign the JOA to Resource Energy under the Sale Motion or otherwise and does not intend to request the same in the future. Consequently, the Debtors will be filing a motion to seek a formal rejection of the JOA as contemplated by the Sale Motion

REPLY

5. Bakken Hunter Objection essentially asserts or seeks three things: (1) to preserve its rights with respect to the assumption of the JOA, including cure and adequate assurance (§§ 7 and 11 of the Bakken Hunter Objection); (2) confirmation that the Debtors will agree to follow the procedures set forth in the Magnum Hunter Confirmation Order to resolve the conflicting claims asserted by Bakken Hunter and the Debtors under the JOA and that the transaction contemplated by the sale order will not affect the procedures already established by the Magnum Hunter Confirmation Order (§ 10 of the Bakken Hunter Objection); and (3) to note that Bakken Hunter does not consent to the assignment of the operation of the Williston assets to Resource Energy (§§ 8 and 9 of the Bakken Hunter Objection).

(1) Reservation of rights regarding potential assumption of the JOA.

6. As stated in paragraph 4 above, Resource Energy has confirmed that it is not seeking and will not request that the Debtors assume and assign the JOA to Resource Energy under the Sale Motion or otherwise. As a result, there are no assumption, cure or adequate assurance issues to address and no reservation of right language needed.

(2) ***Confirmation that claims asserted by Bakken Hunter and the Debtors under the JOA will be resolved as set forth in the Magnum Hunter Confirmation Order.***

7. The Debtors have confirmed that claims asserted by Bakken Hunter and the Debtors under the JOA shall be resolved pursuant to the audit and other procedures set forth in the JOA and the Magnum Hunter Confirmation Order. To the extent language in the sale order with respect to the Williston assets to Resource Energy is needed, the Debtors will work with Bakken Hunter and Resource Energy to agree upon such language

(3) ***Assignment of the operation of the Williston assets to Resource Energy.***

8. First, the interests belonging to Bakken Hunter are *not* being sold under the Williston APA for the simple reason that the Debtors' do not own them.

9. Second, the assumption and assignment of the JOA to Resource Energy is not required to (a) sell the Williston assets to Resource Energy or (b) to allow Resource Energy to operate the Williston assets after the closing of the Williston APA.

10. Samson is the designated "Operator" of the Williston assets with the North Dakota Industrial Commission (the "NDIC"), which is part of the North Dakota Department of Mineral Resources, Oil and Gas Division that regulates the drilling and production of oil and gas in North Dakota. The NDIC maintains a record of Operators for, among other things, bonding and plugging and other operational purposes.

11. Under the Williston APA, the Debtors will be transferring the "Operatorship" of certain of the Williston assets to Resource Energy, who will be required to operate the Williston assets and account to non-operating working interest owners in accordance with North Dakota statutes and North Dakota common law relating to co-tenants. There is no requirement that an operator of oil and gas wells in North Dakota do so under a joint operating agreement.² Rather,

² In fact, we have been informed by Resource Energy that it currently operates a number of wells in North Dakota

the working interest owner who has the bond, whether or not designated as the operator under an operating agreement, is recognized by the NDIC as the party with authority to act as operator, obtain permits, and conduct oil and gas operations on such well. (N.D. ADMIN. CODE § 43-02-03-15 (2015)). Even in the event of a dispute over operatorship, the North Dakota statutory framework does not look to the existence or non-existence of an operating agreement, but rather to other factors, including the percentage working interest owned by the parties in the respective drilling unit. (N.D. ADMIN. CODE § 42-02-03-16.1 *et seq.* (2015)). Consequently, the concerns of Bakken Hunter and its requested reservations of rights is misplaced. Although Resource Energy will not be bound by the JOA, the Sale Motion is not seeking to affect the rights of Bakken Hunter vis-a-vis Resource Energy post-closing under North Dakota statutes and North Dakota common law, as both parties are bound to such laws. Further, upon final approval of the sale by this Court and Closing, the JOA will be rejected. Whatever breach damages Bakken Hunter may assert, they may continue to do so.

CONCLUSION

12. For the reasons set forth above and in the Sale Motion and the Sale Motion Supplement, the Debtors respectfully request that the Court overrule the Bakken Hunter Objection and grant approval of the Debtors' asset sales set forth in the Sale Motion and the Sale Motion Supplement.

without a joint operating agreement that it acquired pursuant to a Section 363 transaction from chapter 11 debtor American Eagle Energy Corporation (United States Bankruptcy Court, District of Colorado, Case No. 15-15073 (HRT)).

WHEREFORE, the Debtors respectfully request that the Court enter the Order granting the Sale Motion and the Sale Motion Supplement and such other relief as the Court deems appropriate under the circumstances.

Dated: October 14, 2016
Wilmington, Delaware

/s/ Domenic E. Pacitti

Domenic E. Pacitti (Del. Bar No. 3989)

Michael W. Yurkewicz (Del. Bar No. 4165)

KLEHR HARRISON HARVEY BRANZBURG LLP

919 N. Market Street, Suite 1000

Wilmington, Delaware 19801

Telephone: (302) 426-1189

Facsimile: (302) 426-9193

-and -

Morton Branzburg (admitted *pro hac vice*)

KLEHR HARRISON HARVEY BRANZBURG LLP

1835 Market Street, Suite 1400

Philadelphia, Pennsylvania 19103

Telephone: (215) 569-2700

Facsimile: (215) 568-6603

Co-Counsel for the Debtors and Debtors in Possession