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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

IN RE:	§	
	§	
ARCAPITA BANK B.S.C.(c), et al.,	§	Chapter 11
	§	
Debtors.	§	Case No. 12-11076-shl
	§	Jointly Administered
	§	
IN RE:	§	
	§	
FALCON GAS STORAGE CO., INC.	§	Chapter 11
	§	
Debtor.	§	Case No. 12-11790-shl
	§	(Jointly Administered under
	§	Case No. 12-11076)

TIDE’S RESPONSE TO DEBTORS’ OBJECTION TO TIDE’S PROOFS OF CLAIM

TO THE HONORABLE SEAN H. LANE
UNITED STATES BANKRUPTCY JUDGE:

Tide Natural Gas Storage I, LP and Tide Natural Gas Storage II, LP (together, “Tide”),
by their undersigned counsel, hereby file this Response to Debtors’ Objection to Tide’s Proofs of
Claim. In support thereof, Tide respectfully submits as follows:

I. RELEVANT BACKGROUND

1. Arcapita Bank B.S.C.(c) ("Arcapita") and certain affiliates filed for chapter 11 protection on March 19, 2012.
2. Falcon Gas Storage Co., Inc. ("Falcon") filed for chapter 11 protection on April 30, 2012.
3. Tide filed the following proofs of claim in these cases:
 - (a) Claim Number 295, filed August 29, 2012, by Tide Natural Gas Storage II LP in the amount of \$120 million, against Arcapita Bank B.S.C.(c).
 - (b) Claim Number 296, filed August 29, 2012, by Tide Natural Gas Storage I LP in the amount of \$120 million, against Arcapita Bank B.S.C.(c).
 - (c) Claim Number 297, filed August 29, 2012, by Tide Natural Gas Storage II LP in the amount of \$120 million, against Falcon Gas Storage Company, Inc.
 - (d) Claim Number 298, filed August 29, 2012, by Tide Natural Gas Storage I LP in the amount of \$120 million, against Falcon Gas Storage Company, Inc.

(together, the "Tide Claims").

4. On February 28, 2013, this Court entered its Order Granting Relief from the Automatic Stay Pursuant to 11 U.S.C. § 362(d) to Allow Continuance of District Court Action [Dkt. No. 873] (the "Lift Stay Order"). The Lift Stay Order provides that the stay is lifted so that the District Court can determine, among other things "the merits of Tide's claims in the District Court Action." (Lift Stay Order ¶ 2).

5. On April 26, 2013, the Debtors filed their Third Omnibus Objection to Claims (the "Objection"), which Objection states that "the Debtors object to all of the Tide Claims because (a) the Debtors bear no liability for such claims, and (b) the Tide Claims are asserted as secured claims without offering any evidence of Tide's security interests with respect to such claims." (Objection ¶ 41).

II. RESPONSE

6. Pursuant to § 502, if an objection is made to a proof of claim, the court “shall determine the amount of such claim ..., and shall allow such claim in such amount, except to the extent that ... such claim is unenforceable against the debtor and property of the debtor, under any agreement or applicable law for a reason other than because such claim is contingent or unmatured....” 11 U.S.C. § 502.

7. In this case, the Debtors object to the Tide Claims on the alleged bases that “(a) the Debtors bear no liability for such claims, and (b) the Tide Claims are asserted as secured claims....” (Objection ¶ 41).

8. The Tide Claims are based on the claims asserted in the District Court Action. The Debtors claim that they are not liable for those claims. Tide disagrees. Pursuant to the Lift Stay Order, the merits of those claims, and thus the Debtors’ liability for such claims, will be determined by Judge Wood. Given that the District Court Action is currently pending before Judge Wood, Tide requests that the Objection be abated until the Tide Claims can be liquidated in the District Court Action. Only after the District Court Action is resolved can it be determined whether the Tide Claims are enforceable against the Debtors.

9. Finally, to the extent that Judge Wood ultimately rules that the Escrow Funds belong to Tide, Tide will be entitled to offset such funds against the Tide Claims. Consequently, Tide has filed the Tide Claims as secured claims.

WHEREFORE, Tide requests that the Court abate the Objection until such time as the Tide Claims have been liquidated by the District Court. Tide further requests it be granted such other relief as is just and appropriate.

Respectfully submitted,

BRACEWELL & GIULIANI LLP

By: /s/ William A. (Trey) Wood III

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