

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

In re:)	
)	Chapter 11
)	
COBALT INTERNATIONAL ENERGY, INC., <i>et al.</i> , ¹)	Case No. 17-36709 (MI)
)	
Reorganized Debtors.)	(Jointly Administered)
)	
)	Re: Docket Nos. 784, 1323

RESPONSE TO MOTION OF THE SECOND LIEN INDENTURE TRUSTEE FOR ENTRY OF AN ORDER IN AID OF CONFIRMATION (I) AUTHORIZING THE DISTRIBUTION TO THE HOLDERS OF ALLOWED SECOND LIEN NOTES SECURED CLAIMS OF SUBSTANTIALLY ALL OF THE TRUSTEE RESERVE HELD BY THE SECOND LIEN INDENTURE TRUSTEE, AND (II) DISCHARGING THE SECOND LIEN INDENTURE TRUSTEE FROM ITS DUTIES UNDER THE CONFIRMATION ORDER, PLAN AND RELATED DOCUMENTS

The Ad Hoc Group of Second Lien Noteholders² (the “Ad Hoc Group”) files this Response to the “Motion of the Second Lien Indenture Trustee (the “Trustee”) for Entry of an Order in Aid of Confirmation (I) Authorizing the Distribution to the Holders of Allowed Second Lien Notes Secured Claims of Substantially All of the Trustee Reserve Held by the Second Lien Indenture Trustee, and (II) Discharging the Second Lien Indenture Trustee From Its Duties Under The Confirmation Order, Plan and Related Documents” [Docket No. 1323] (the “Motion”) and, in support thereof, respectfully states as follows:

¹ The Reorganized Debtors in the Chapter 11 Cases, along with the last four digits of each Reorganized Debtor’s federal tax identification number, are: Cobalt International Energy, Inc. (1169); Cobalt International Energy GP, LLC (7374); Cobalt International Energy, L.P. (2411); Cobalt GOM LLC (7188); Cobalt GOM # 1 LLC (7262); and Cobalt GOM # 2 LLC (7316). The Reorganized Debtors’ service address is: 920 Memorial City Way, Suite 100, Houston, Texas 77024.

² The Ad Hoc Group of Second Lien Noteholders includes Aristeia Capital Group, LLC, Cyrus Capital Management, LLC, Marble Ridge Capital L.P., Nut Tree Capital Management, LP and Whitebox Advisors LLC. The Ad Hoc Group (including certain of their respective affiliates) collectively holds approximately \$820 million original principal amount or 77% of the Notes.



1. The Ad Hoc Group supports the relief requested in the Motion as it reflects the advanced stage of post-confirmation matters in this case.

2. The discharge of the Trustee (excluding its role as Paying Agent) is now appropriate given the certainty that there will be no further substantive role for the Trustee other than serving as a conduit for future distributions to the holders of Second Lien Notes. The Ad Hoc Group understands that the Trustee will maintain its existing fee structure with respect to its role as Paying Agent, and that the Trustee will not require further documentation with respect to such role.

3. During these Chapter 11 cases, and most significantly since confirmation of the Plan, the Ad Hoc Group has taken on a more active role, coordinating its actions with the Trustee, and actively assisting Mr. Tavakoli, the Lead Member/Plan Administrator, in liquidating the estates' remaining assets.

4. Since confirmation of the Plan, the Plan Administrator has liquidated substantially all of the estates' assets in consultation with the Ad Hoc Group. The most significant remaining assets in the estates today comprise litigation claims, the most material of which relate to the litigation claims the estates hold pursuant to the *Stipulation and Agreement of Settlement Among the Plaintiffs, Cobalt Individual Defendants, and Nader Tavakoli, Solely Acting as Plan Administrator on Behalf of the Cobalt Debtors dated October 11, 2018*, and the related insurance litigation case *Cobalt International Energy, Inc. et al. v. Illinois International Insurance Company et al* (Cause No. 2016-31648, District Ct of Harris Cty, TX, 125th Judicial District) (collectively, the "Litigation"). Notably, the settlement that crystallized these estate claims was executed in October 2018, well after confirmation. While extremely valuable to the estates, the Litigation may take years to conclude, necessitating ongoing and lengthy administration.

5. At the time of confirmation, it was not anticipated that the estates would be required to pursue potentially valuable litigation over a period of many years. As such, the Plan Administrator Agreement contemplated sole authority over the final wind down process to be vested in Mr. Tavakoli, the Lead Member, rather than a more robust, long-term governance structure. Over the past several months numerous alternatives have been discussed among the Ad Hoc Group and Mr. Tavakoli to expedite the discharge of the estates, and these discussions remain ongoing. At the same time, the estates continue to expend funds on professional and other expenses in amounts that are significant relative to the remaining value in the estates.

6. Pursuant to the Confirmation Order, the Court retained jurisdiction with respect to, *inter alia*, the Plan, the Plan Administrator and the Plan Administrator Agreement. Accordingly, given the circumstances described above, the Ad Hoc Group is considering a variety of alternatives, including the filing of a motion with the Court to modify and amend the Plan Administrator Agreement to reflect more appropriate levels of fees, expenses and oversight in the context of the advanced stage of these proceedings. The Ad Hoc Group expects to provide a related update to the Plan Administrator and the Court in due course.

WHEREFORE, for the reasons stated herein, the Ad Hoc Group respectfully requests that the Motion be approved subject to the comments set forth above, together with such other and further relief as may be just and proper.

Respectfully submitted this 28th day of February, 2020.

HUNTON ANDREWS KURTH LLP

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Counsel to the Ad Hoc Group

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on February 28, 2020, a true and correct copy of the foregoing document was served via the Court's CM/ECF notification system on the parties registered to receive electronic notices in this case.

By: /s/ David A. Zdunkewicz

David A. Zdunkewicz