

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

In re: PetroQuest Energy, Inc., <i>et al.</i> , Debtors. ¹	Chapter 11 Case No. 24-12609 (CTG) (Jointly Administered) Objection Deadline: March 25, 2025 at 4:00 p.m. (ET) Hearing Date: April 1, 2025 at 3:00 p.m. (ET)
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**DEBTORS' MOTION FOR ENTRY OF (I) AN ORDER
(A) AUTHORIZING AND APPROVING BIDDING PROCEDURES
IN CONNECTION WITH THE SALE OF CERTAIN OF THE DEBTORS'
LITIGATION ASSETS, (B) SCHEDULING THE AUCTION AND SALE HEARING,
(C) APPROVING THE FORM AND MANNER OF NOTICE THEREOF, AND
(D) GRANTING RELATED RELIEF; AND (II) AN ORDER (A) APPROVING
THE SALE OF CERTAIN OF THE DEBTORS' LITIGATION ASSETS
FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES,
AND INTERESTS AND (B) GRANTING RELATED RELIEF**

PetroQuest Energy, Inc. and the debtors and debtors in possession in the above-captioned cases (collectively, the “Debtors”) respectfully state as follows in support of this motion (the “Motion”):

RELIEF REQUESTED

1. By this Motion, the Debtors seek entry of two orders pursuant to sections 105(a) and 363 of title 11 of the United States Code (the “Bankruptcy Code”), Rules 2002, 6004, 6007, 9007, 9008, and 9014 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rule 6004-1 of the Local Rules of the United States Bankruptcy Court for the District of Delaware (the “Local Rules”). **First**, the Debtors seek entry of an order, substantially in the form attached hereto as **Exhibit A** (the “Bidding Procedures Order”):

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: PetroQuest Energy, Inc. (0714), PetroQuest Energy, L.L.C. (2439), PetroQuest Oil & Gas, L.L.C. (1170), and PQ Holdings LLC, (7576). The location of the Debtors’ corporate headquarters and the Debtors’ service address in these chapter 11 cases is 400 E. Kaliste Saloom Road, Suite 5200, Lafayette, LA 70508.

- a. authorizing and approving the noticing and bidding procedures (the “Bidding Procedures”) set forth below in connection with the sale (the “Sale”) of the Debtors’ Litigation Assets (as defined herein);
- b. approving the form and manner of notice of sale and auction (the “Sale Notice”), attached as **Exhibit 1** to the Bidding Procedures Order;
- c. scheduling an auction and a hearing with respect to the Sale of the Litigation Assets (respectively, the “Auction” and the “Sale Hearing”);
- d. establishing a deadline for filing a proposed order approving a Sale (the “Sale Order”); and
- e. granting related relief.

2. ***Second***, at the conclusion of the Sale Hearing, the Debtors may seek entry of the Sale Order:

- a. authorizing and approving the Sale of the Litigation Assets to a successful bidder (a “Successful Bidder”) on the terms set forth in the successful bid (a “Bid” and a Bid for which the Debtors determine to be the highest and best in their business judgment, a “Successful Bid”), free and clear of all liens, claims, encumbrances, and interests; and
- b. granting related relief.

3. The Debtors reserve the right to file and serve any supplemental pleading or declaration that the Debtors deem appropriate or necessary, including any pleading summarizing the bidding and sale process and the results thereof, in support of their request for entry of the Sale Order before the Sale Hearing.

INTRODUCTION

4. Prior to the Petition Date (as defined herein) and continuing through late last week, the Debtors were involved in a lawsuit against Sanare Energy Partners, LLC (“Sanare”), styled *Sanare Energy Partners, LLC v. PetroQuest Energy, L.L.C., et al. (In re PetroQuest Energy, Inc.)*, Case No. 18-36322, Adv. No. 19-03329 (Bankr. S.D. Tex.) (the “Sanare Suit”), in which the Debtors have obtained a final, non-appealable judgment in the amount of \$8,037,243.80 against Sanare (the “Sanare Judgment,” and the Debtors’ interests therein, the “Litigation Assets”).

Although ideally the Debtors would prefer collecting on the Sanare Judgment for the benefit of their estates, the costly reality of litigation and judgment collection has proven difficult. Therefore, to monetize the value of the Litigation Assets, the Debtors are now seeking to market the Litigation Assets through a streamlined, court-approved process. The goal of such process is to consummate a sale of the Litigation Assets that provides for an immediate cash infusion to the Debtors' estates to assist in streamlining and maximizing distributions to creditors.

5. Accordingly, by this Motion, the Debtors seek approval of the following Bidding Procedures and related relief to facilitate the marketing and sale of the Litigation Assets under section 363 of the Bankruptcy Code:

- a. **Marketing.** The Litigation Assets shall be marketed by providing notice of the Motion, the Bidding Procedures Order, and the Sale Notice via (i) physical mail to (a) any parties who would be required to receive notice under Article 9 of the Uniform Commercial Code; (b) all parties who have filed notices of appearances in these Chapter 11 Cases or requested notice pursuant to Bankruptcy Rule 2002; and (c) Sanare, and (ii) email to creditors for whom the Debtors have email addresses (the "**Marketing Plan**" and such recipients, the "**Notice Parties**"). Moreover, the Debtors may take any other action to market the Litigation Assets that they deem prudent to maximize the value of the Litigation Assets.
- b. **Announcement of Auction.** Within two (2) business days following the entry of the Bidding Procedures Order, the Sale Notice and the Bidding Procedures Order shall be served on the Notice Parties pursuant to the Marketing Plan.
- c. **Due Diligence.** Any interested party shall be provided reasonable due diligence during normal business hours to review non-privileged books and records related to the Litigation Assets.
- d. **Qualified Bidder and Deadline.** Only a qualified bidder (each party submitting a Bid, a "**Bidder**" and a party satisfying the following requirements, a "**Qualified Bidder**") may participate in the Auction. In order to become a Qualified Bidder, an interested party or group must tender to the Debtors, by the Bid Deadline: (i) a Bid Letter specifying the Litigation Assets; (ii) the Bid Deposit (as defined herein); and (iii) a Qualified APA (as defined herein). To be a Qualified Bidder, each Bidder further agrees that its Bid, if not chosen as the Successful Bidder, shall serve, without modification, as a Back-Up Bidder (as defined herein) as may be designated

by the Debtors at the Sale Hearing, in the event the Successful Bidder fails to close as provided in the Successful Bidder's purchase agreement, as modified, if at all, and the Sale Order. For the avoidance of doubt, any secured party that submits a Credit Bid (as defined below), Bid Letter, and Qualified APA by the Bid Deadline shall be designated a Qualified Bidder.

- e. **Bid Deadline.** The Bid Deadline shall be **April 24, 2025, at 4:00 p.m. (prevailing Eastern Time).**
- f. **Bid Deposit.** All Qualified Bidders shall provide a deposit in the amount of 20% of the cash portion of their Bid (the "**Bid Deposit**") by wire transfer received in advance of the date set for the Auction. A Qualified Bidder that submits a Credit Bid shall not be required to make a Bid Deposit.
- g. **Proposed APA.** Each Bidder shall submit a form asset purchase agreement tailored to the Litigation Assets (a "**Proposed APA**"). The Debtors shall retain the right to reject a Proposed APA in their business judgment. A Proposed APA acceptable to the Debtors shall be deemed a "**Qualified APA**," which must meet the following requirements:
 - (i) If the Qualified Bidder is a group, it must contain a disclosure of all members of the group and a representation that the members of the group did not engage in collusive behavior;
 - (ii) It must not be subject to any due diligence, other than as provided for in these Bidding Procedures;
 - (iii) It must not be subject to any financing contingency;
 - (iv) It must disclose whether the Bidder or any of its affiliates or insiders are insiders of the Debtors, as defined in section 101(31) of the Bankruptcy Code;
 - (v) It must not contain any break-up fee or expense reimbursement; and
 - (vi) It must provide for a closing no later than two (2) business days after the day on which the Court enters the Sale Order, unless such order is stayed.
- h. **Auction Commencement.** The Auction shall commence on **April 28, 2025, at 10:00 a.m. (prevailing Eastern Time)**, and shall take place at a location to be designated by the Debtors in the Sale Notice (which may be virtually). The Auction shall be conducted openly and all creditors are permitted to attend, however only Qualified Bidders may participate in the Auction. At least one agent of each Qualified Bidder must be personally

present to bid and to execute documents. The Auction will be either transcribed or videotaped.

i. **Treatment of Bids at the Auction.**

(i) *Overbid and Bid Increments.* The first overbid, and each successive bid, must be in increments of at least an additional 10% of the applicable initial bid (the “Starting Bid”). The Debtors may conduct rounds of bidding in their discretion.

(ii) *Successful Bidder and Back-up Bidder.* The Debtors shall announce a Successful Bidders at the conclusion of the Auction. At the conclusion of the Auction, the party with the next highest or otherwise best Qualified Bid for the Litigation Assets, shall be required to serve as the back-up bidder (the “Back-Up Bidder”). The Back-Up Bidder shall be required to keep its final Bid open and irrevocable until the later of 4:00 p.m. (prevailing Eastern Time) on the date that is five (5) days after the date of the Sale Hearing or the closing of the transaction with the Successful Bidder. Following entry of the Sale Order, if the Successful Bidder fails to consummate an approved transaction because of a breach or failure to perform on the part of such Successful Bidder, the Debtors may designate the Back-Up Bidder to be the new Successful Bidder, and the Debtors will be authorized, but not required, to consummate the transaction with the Back-Up Bidder without further order of the Bankruptcy Court. Each Successful Bidder and Back-Up Bidder must be prepared to participate at the Sale Hearing and present such arguments, representations, or evidence as may be required by the Court, although the Debtors, at their burden and expense, shall otherwise take the lead in conducting the Sale Hearing.

(iii) *Credit Bid.* Any secured party shall be entitled to credit bid some or all of its claims pursuant to section 363(k) of the Bankruptcy Code (a “Credit Bid”).

j. **Bid Deposit Returns.** The Bid Deposits of all bidders other than the Successful Bidder and the Back-Up Bidder shall be promptly returned following the conclusion of the Auction. The Bid Deposits of Successful Bidder and Back-Up Bidder shall be retained, returned, or applied as otherwise provided for in their Qualified APAs. For the avoidance of doubt, the Bid Deposit of a Successful Bidder and/or the Back-Up Bidder shall be forfeited to the Debtors’ estates if the Debtors proceed to a closing, and all conditions precedent are satisfied, yet the Successful Bidder and/or the Back-Up Bidder fails to close.

- k. **Marketing Premium.** To the extent the bidder that is the ultimate purchaser of the Litigation Assets is (i) not a secured party that submits a Credit Bid or Sanare or its affiliates or insiders; and (ii) a bidder that was solicited and identified by the Debtors' independent director, Jeremy Stillings (the "Director"), ten percent (10%) of the total purchase price that is paid by such purchaser to the Debtors shall be payable to the Director, in his individual capacity, as a commission, in an amount not to exceed \$100,000.
- l. **Proposed Sale Order.** The Debtors shall file a proposed order Sale Order for the Litigation Assets sought to be approved at the Sale Hearing at least two (2) days prior to the Sale Hearing.
- m. **Modification.** Any portion of the Bidding Procedures may be modified by the Debtors in their business judgment.
- n. **Fiduciary Out.** For the avoidance of doubt, nothing in the Bidding Procedures, including, without limitation, the auction procedures, prevents the Debtors from exercising their respective fiduciary duties under applicable law (as reasonably determined in good faith by the Debtors in consultation with their outside legal counsel).

6. The Bidding Procedures provide the formal framework for a Sale and have been structured to elicit value-maximizing bids for the Litigation Assets under the circumstances. Among other things, the Bidding Procedures: (i) set forth a timeline for a sale process that is reasonable and appropriate to produce value-maximizing bids for the Litigation Assets; and (ii) establish the basic rules for submitting bids for the purchase of the Debtors' Litigation Assets. The proposed Bidding Procedures comply with the requirements of the Bankruptcy Code, the Bankruptcy Rules, and the Local Rules and, therefore, should be approved.

7. Accordingly, as discussed in detail herein, the Debtors respectfully request entry of the Bidding Procedures Order and, after the Sale Hearing, the Sale Order.

JURISDICTION AND VENUE

8. This Court has jurisdiction to consider this Motion under 28 U.S.C. §§ 157 and 1334 and the *Amended Standing Order of Reference* from the United States District Court for the District of Delaware dated as of February 29, 2012. This is a core proceeding under 28 U.S.C.

§ 157(b). Pursuant to Local Rule 9013-1(f), the Debtors consent to the entry of a final judgment or order with respect to this Motion if it is determined that the Court would lack Article III jurisdiction to enter such final judgment or order absent consent of the parties.

9. Venue of these cases and this Motion in this district is proper under 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief requested herein are sections 105(a) and 363 of the Bankruptcy Code, Bankruptcy Rules 2002, 6004, 6007, 9007, 9008, and 9014 and Local Rule 6004-1.

BACKGROUND

I. The Chapter 11 Cases

10. On November 13, 2024 (the “Petition Date”), the Debtors filed voluntary petitions for relief in this Court, commencing cases (the “Chapter 11 Cases”) under chapter 11 of the Bankruptcy Code. The Debtors continue to manage and operate their businesses as debtors in possession under sections 1107 and 1108 of the Bankruptcy Code. No trustee or examiner has been requested in the Chapter 11 Cases, and no committees have been appointed.

11. The Debtors are an independent oil and gas company headquartered in Lafayette, Louisiana. The Debtors are engaged in the exploration, development, acquisition and operation of oil and gas properties in Texas and Louisiana.

12. The factual background regarding the Debtors, including their business operations, their capital and debt structures, and the events leading to the filing of these Chapter 11 Cases, is set forth in detail the *Declaration of Angelle Perret in Support of Chapter 11 Petitions and First Day Pleadings* [Docket No. 16] filed on the Petition Date.

II. The Sale Processes to Date

13. As of the Petition Date, the Debtors' primary operating assets consisted of their oil and gas leasehold interests, producing properties, and related assets located in Panola County, Texas (the "East Texas Assets").

14. On November 21, 2024, following a robust prepetition marketing process, the Debtors filed the *Debtors' Motion for Entry of (I) an Order (A) Authorizing and Approving Bidding Procedures in Connection with the Sale of the Debtors' Assets, (B) Approving Certain Bid Protections in Connection with the Debtors' Entry Into a Stalking Horse Agreement, (C) Scheduling the Auction and Sale Hearing, (D) Approving the Form and Manner of Notice Thereof, and (E) Granting Related Relief; and (II) an Order (A) Approving the Sale of the Debtors' Assets Free and Clear of all Encumbrances; and (B) Approving the Assumption and Assignment of Executory Contracts and Unexpired Leases* [Docket No. 74] (the "First Sale Motion"). Through the First Sale Motion, the Debtors sought to sell substantially all of their East Texas Assets pursuant to section 363 of the Bankruptcy Code.

15. On December 17, 2024, the Court entered the Corrected Order (A) Authorizing and Approving Bidding Procedures in Connection with the Sale of the Debtors' Assets, (B) Approving Certain Bid Protections in Connection with the Debtors' Entry Into a Stalking Horse Agreement, (C) Scheduling the Auction and Sale Hearing, (D) Approving the Form and Manner of Notice Thereof, and (E) Granting Related Relief [Docket No. 167] (the "First Bidding Procedures Order").

16. Thereafter, the Debtors engaged in a thorough marketing and sales process pursuant to the First Bidding Procedures Order, which culminated in an agreement to sell substantially all of the Debtors' East Texas Assets (the "East Texas Sale Transaction") to Nexus Energy LLC (the "East Texas Asset Purchaser").

17. On February 3, 2025, the Court entered the *Order (I) Approving the Sale of the Debtors' Assets Free and Clear of All Liens, Claims, Interests, and Encumbrances, (II) Approving the Assumption and Assignment of Executory Contracts and Unexpired Leases, and (III) Granting Related Relief* [Docket No. 293] (the "First Sale Order").

18. On March 4, 2025, after the East Texas Asset Purchaser failed to close, the Debtors filed the *Notice of Debtors' (I) Termination of Purchase and Sale Agreement with Nexus Energy LLC and (II) Deeming of Back-Up Bidder as New Successful Bidder* [Docket No. 344].

19. The Debtors' remaining assets include, among other things: (i) a single offshore overriding royalty interest in the Gulf of Mexico (the "Gulf Interest"); (ii) a single well in Oklahoma (the "Oklahoma Well"); and (iii) the Litigation Assets. On December 17, 2024, the Debtors filed the *Debtors' Motion for Entry of an Order (I) Authorizing the Private Sale of Certain De Minimis Oil and Gas Assets Free and Clear of all Liens Claims, Claims, Encumbrances and Other Interests, (II) Authorizing the Debtors to Designate One or More Purchasers, and (III) Granting Related Relief* [Docket No. 169] to obtain authority to market and sell the Gulf Interest and the Oklahoma Well through a private sale process.

20. On January 2, 2025, the Court entered the *Order (I) Authorizing the Private Sale of Certain De Minimis Oil and Gas Assets Free and Clear of all Liens Claims, Claims, Encumbrances and Other Interests, (II) Authorizing the Debtors to Designate One or More Purchasers, and (III) Granting Related Relief* [Docket No. 193]. The Debtors have yet to find a purchaser for the Gulf Interest or the Oklahoma Well.

III. The Sale of the Litigation Assets

21. To continue discharging their fiduciary duties and to maximize the value of their estates for potential distributions to creditors, the Debtors now file this Motion to market and sell the Litigation Assets. As previewed above, the Sanare Suit was an adversary proceeding pending

in the United States Bankruptcy Court for the Southern District of Texas (the “Texas Bankruptcy Court”). Debtor PetroQuest Energy, L.L.C. filed a counterclaim in the Sanare Suit against Sanare Energy Partners, LLC, seeking to recover amounts owed under a purchase and sale agreement executed by the parties. On March 7, 2025, the Texas Bankruptcy Court entered an order closing the Sanare Suit. *See* Adv. Pro. No. 19-03329 (Bankr. S.D. Tex.) [Docket Nos. 252].

22. The Litigation Assets represent a valuable portion of the Debtors’ remaining assets and therefore, the Debtors have determined in their business judgment to market and sell the Litigation Assets rather than waste precious cash resources on litigation and judgment collection, which could potentially dilute the overall pool of assets available for creditors.

IV. **The Bidding Procedures, the Auction, and the Sale Hearing**

23. The Bidding Procedures seek to maximize the value of the Debtors’ estates by facilitating an open and competitive sale of the Litigation Assets, while taking into account the need for the Debtors to monetize the Litigation Assets as quickly, and as cost-effectively, as possible.

24. The following sets forth a summary of the key provisions of the previously described Bidding Procedures, including those provisions required to be highlighted under Local Rule 6004-1:²

MATERIAL TERMS OF THE BIDDING PROCEDURES	
Provisions Governing Qualification of Bidders and Qualified Bids Local Rule 6004-1(c)(i)(A)-(B)	A. Bid Deadline – The Bid Deadline shall be April 24, 2025, at 4:00 p.m. (prevailing Eastern Time). B. Due Diligence – Any interested party shall be provided reasonable due diligence during normal business hours to review non-privileged books and records related to the Litigation Assets.

² This summary is qualified in its entirety by the Bidding Procedures. All capitalized terms that are used in this summary but not otherwise defined herein shall have the meaning ascribed such term in the Bidding Procedures.

	C. Qualified Bidder and Deadline – Only a Qualified Bidder may participate in the Auction. In order to become a Qualified Bidder, an interested party or group must tender to the Debtors, by the Bid Deadline: (i) a Bid Letter specifying the Litigation Assets; (ii) the Bid Deposit; and (iii) a Qualified APA. To be a Qualified Bidder, each Bidder further agrees that its Bid, if not chosen as the Successful Bidder, shall serve, without modification, as a Back-up Bidder as may be designated by the Debtors at the Sale Hearing, in the event the Successful Bidder fails to close as provided in the Successful Bidder’s purchase agreement, as modified, if at all, and the Sale Order. For the avoidance of doubt, any secured party that submits a Credit Bid, Bid Letter, and Qualified APA by the Bid Deadline shall be designated a Qualified Bidder. D. Bid Deposit – The Bid Deposit shall be 20% of the cash portion of the Bid by wire transfer received in advance of the date set for the Auction. Qualified Bidders that submit a Credit Bid shall not be required to submit a Bid Deposit. E. Proposed APA – Each bidder shall submit its form Proposed APA tailored to the Litigation Assets. The Debtors shall retain the right to reject a Proposed APA in their business judgment. A Proposed APA acceptable to the Debtors shall be a Qualified APA, which shall in. The following shall be required of any Qualified APA, which must meet the following requirements: (i) If the Qualified Bidder is a group, it must contain a disclosure of all members of the group and a representation that the members of the group did not engage in collusive behavior; (ii) It must not be subject to any due diligence, other than as provided for in the Bidding Procedures; (iii) It must not be subject to any financing contingency; (iv) It must disclose whether the bidder or any of its affiliates or insiders are insiders of the Debtors, as defined in 11 U.S.C. § 101(31); (v) It must not contain any break-up fee or expense reimbursement; and (vi) It must provide for a closing no later than two (2) business days after the day on which the Court enters the order approving the Sale, unless such order is stayed.
Provisions Governing the Modification of	A. Modification – Any portion of the Bidding Procedures may be modified by the Debtors in their business judgment.

Bidding and Auction Procedures Local Rule 6004-1(c)(i)(D)	
Provisions Governing the Auction Local Rule 6004-1(c)(ii)	A. Auction Commencement – The Auction shall commence on April 28, 2025, at 10:00 a.m. (prevailing Eastern Time), and shall take place at a location to be designated by the Debtors in the Sale Notice (which may be virtually). The Auction shall be conducted openly and all creditors are permitted to attend, however only Qualified Bidders may participate in the Auction. At least one agent of each Qualified Bidder must be personally present to bid and to execute documents. The Auction will either be transcribed or videotaped. B. Treatment of Bids at the Auction (i) <i>Overbid and Bid Increments.</i> The first overbid, and each successive bid, must be in increments of at least an additional 10% of the applicable Starting Bid. The Debtors may conduct rounds of bidding in their discretion. (ii) <i>Successful Bidder and Back-up Bidder.</i> The Debtors shall announce the Successful Bidders at the conclusion of the Auction. At the conclusion of the Auction, the party with the next highest or otherwise best Qualified Bid for the Litigation Assets, shall be required to serve as the Back-Up Bidder. The Back-Up Bidder shall be required to keep its final Bid open and irrevocable until the later of 4:00 p.m. (prevailing Eastern Time) on the date that is five (5) days after the date of the Sale Hearing or the closing of the transaction with the Successful Bidder. Following entry of the Sale Order, if the Successful Bidder fails to consummate an approved transaction because of a breach or failure to perform on the part of such Successful Bidder, the Debtors may designate the Back-up Bidder to be the new Successful Bidder, and the Debtors will be authorized, but not required, to consummate the transaction with the Back-up Bidder without further order of the Bankruptcy Court. Each Successful Bidder and Back-Up Bidder must be prepared to participate at the Sale Hearing and present such arguments, representations, or evidence as may be required by the Court, although the Debtors, at their burden and expense, shall otherwise take the lead in conducting the Sale Hearing. (iii) <i>Credit Bid.</i> Any secured party shall be entitled to credit bid some or all of its claims pursuant to section 363(k) of the Bankruptcy Code. C. Bid Deposit Returns – The Bid Deposits of all bidders other than the Successful Bidder and the Back-Up Bidder shall be promptly returned following the conclusion of the Auction. The Bid Deposits of Successful Bidder and Back-Up Bidder shall be retained, returned, or applied as otherwise provided for in their Qualified APAs. For the avoidance of

	doubt, the Bid Deposit of a Successful Bidder and/or the Back-Up Bidder shall be forfeited to the Debtors' estates if the Debtors proceed to a closing, and all conditions precedent are satisfied, yet the Successful Bidder and/or the Back-Up Bidder fails to close. D. Fiduciary Out – For the avoidance of doubt, nothing in the Bidding Procedures, including, without limitation, the auction procedures, prevents the Debtors from exercising their respective fiduciary duties under applicable law (as reasonably determined in good faith by the Debtors in consultation with their outside legal counsel).
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V. Form and Manner of Notice

25. Within two (2) business days following entry of the Bidding Procedures Order, the Debtors will serve the Sale Notice and the Bidding Procedures Order upon the Notice Parties.

26. The Debtors submit that the Sale Notice is reasonably calculated to provide all interested parties with timely and proper notice of the proposed sale, including: (a) the date, time, and place of the Auction (if one is held); (b) the Bidding Procedures; (c) the dates and deadlines related to the Sale Hearing. Given the nature of the assets and the Debtors' good faith belief that the pool of proposed purchasers is limited, the Debtors submit that providing notice to the Notice Parties pursuant to the Marketing Plan is appropriate. Accordingly, the Debtors request that the form and manner of the Sale Notice be approved and that the Court determine that no other or further notice of the Auction or Sale Hearing is required.

VI. Disclosures Under Local Rule 6004-1(b)

27. Local Rule 6004-1(b) requires, among other things, that any motion to sell property of the estate pursuant to section 363 of the Bankruptcy Code attach "[a] copy of the proposed purchase agreement, or a form of such agreement substantially similar to the one the debtor reasonably believes it will execute in connection with the proposed sale [and a] copy of a proposed form of sale order." Del. Bankr. L. R. 6004-1(b). The Debtors do not, as of yet, have a

signed agreement they believe they will reasonably execute. Accordingly, the Debtors are unable, at this time, to file any agreement or make the disclosures required under Local Rule 6004-1(b).

BASIS FOR RELIEF

I. Approval of the Sale is Appropriate Under Section 363 of the Bankruptcy Code.

28. Section 363 of the Bankruptcy Code provides that “[t]he trustee, after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate” 11 U.S.C. § 363(b)(1). A debtor must demonstrate a sound business justification for the sale or use of assets outside the ordinary course of business. *See, e.g., Myers v. Martin (In re Martin)*, 91 F.3d 389, 395 (3d Cir. 1996); *Dai Ichi Kangyo Bank, Ltd. v. Montgomery Ward Holding Corp. (In re Montgomery Ward Holding Corp.)*, 242 B.R. 147, 153 (D. Del. 1999); *In re Del. & Hudson Ry. Co.*, 124 B.R. 169, 175-76 (D. Del. 1991).

29. Once a court determines that a valid business justification exists for a sale outside of the ordinary course of business, courts must determine whether: (i) adequate and reasonable notice of the sale was given to interested parties, (ii) the sale will produce a fair and reasonable price for the property, and (iii) the parties have acted in good faith. *In re Elpida Memory, Inc.*, No. 12-10947 (CSS), 2012 WL 6090194, at *5 (Bankr. D. Del. Nov. 20, 2012); *In re Exaeris Inc.*, 380 B.R. 741, 744 (Bankr. D. Del. 2008). As described below, the proposed Sale meets each of these requirements.

II. The Sale of the Litigation Assets Represents a Sound Exercise of Debtors’ Business Judgment.

30. Here, a strong business justification exists for the Sale. As described above, the Debtors have determined, in consultation with their advisors and following a review of their financial alternatives and strategies, that a sale process is the most effective way to maximize the value of the Litigation Assets for all stakeholders. The Debtors’ ability to collect and recover the

Litigation Assets is uncertain and could potentially result in *further* costly litigation which may not result in any demonstratable value for the estates. A sale of the Litigation Assets, however, would create an immediate cash inflow to the Debtors' estates for distributions to creditors. Accordingly, the Debtors submit that an expeditious sale of the Litigation Assets is a reasonable exercise of their business judgment and is in the best interests of all of their stakeholders.

III. Bidding Procedures are Fair and Designed to Maximize Value.

31. The paramount goal in any proposed sale of property of the estate is to maximize the proceeds received by the estate. *See, e.g., In re Dura Auto. Sys., Inc.*, Case No. 06-11202 (KJC), 2007 WL 7728109, at *90 (Bankr. D. Del. Aug. 16, 2007); *see also In re Mushroom Transp. Co., Inc.*, 382 F.3d 325, 339 (3d Cir. 2004) (debtor-in-possession "had a fiduciary duty to protect and maximize the estate's assets"). To that end, courts uniformly recognize that procedures intended to enhance competitive bidding are consistent with the goal of maximizing the value received by the estate and are appropriate in the context of bankruptcy sales. *See, e.g., See Dura Auto. Sys.*, 2007 WL 7728109, at *90 (citing *In re Edwards*, 228 B.R. 552, 561 (Bankr. E.D. Pa. 1998)) ("The purpose of procedural bidding orders is to facilitate an open and fair public sale designed to maximize value for the estate.").

32. Here, the proposed Bidding Procedures will allow and encourage interested parties to submit competing bids at the Auction, thereby maximizing the value that the Debtors will receive for the Litigation Assets. By inviting all potential purchasers to participate in the Auction, the Debtors will be able to determine the highest and best price possible for the Litigation Assets. The Bidding Procedures will increase the likelihood that the Debtors will receive the greatest consideration possible for the Litigation Assets and will facilitate a competitive and fair bidding process.

33. Further, the proposed Bidding Procedures will allow the Debtors to conduct the Auction in a controlled, fair, and open fashion that will encourage participation by financially capable bidders who demonstrate the ability to close a transaction. The Bidding Procedures (i) will encourage, rather than hinder, bidding for the Litigation Assets; (ii) are consistent with other procedures previously approved by courts in this district; and (iii) are appropriate under the relevant standards governing auction proceedings and bidding incentives in bankruptcy proceedings.

IV. The Litigation Assets Should be Sold Free and Clear of Claims, Liens, Encumbrances and Interests Under Section 363(f) and Successor Liability Claims.

34. The Debtors also submit that the Sale of the Litigation Assets should be free and clear of any and all claims, liens, encumbrances, and interests under section 363(f) of the Bankruptcy Code. Section 363(f) of the Bankruptcy Code permits a debtor to sell property free and clear of third-party liens, claims, and interests only if:

(1) applicable nonbankruptcy law permits sale of such property free and clear of such interests; (2) such entity consents; (3) such interest is a lien and the price at which such property is to be sold is greater than the aggregate value of all liens on such property; (4) such interest is in bona fide dispute; or (5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

11 U.S.C. § 363(f). Since section 363(f) of the Bankruptcy Code is written in the disjunctive; any of the five conditions provides authority to sell free and clear of all liens, claims, encumbrances, and interests. *See In re Kellstrom Indus., Inc.*, 282 B.R. 787, 793 (Bankr. D. Del. 2002); *In re Collins*, 180 B.R. 447, 450 (Bankr. E.D. Va. 1995); *In re Dundee Equity Corp.*, 1992 WL 53743, at *4 (Bankr. S.D.N.Y. Mar. 6, 1992). The Debtors believe that they will be able to demonstrate at the Sale Hearing that they have satisfied one or more of these conditions.

V. The Successful Bidder Should be Entitled to the Protections of Section 363(m) of the Bankruptcy Code.

35. Pursuant to section 363(m) of the Bankruptcy Code, a good faith purchaser is one who purchases assets for value, in good faith, and without notice of adverse claims. *See In re Abbotts Dairies of Pa., Inc.*, 788 F.2d 143, 147 (3d. Cir. 1986); *see also In re Mark Bell Furniture Warehouse, Inc.*, 992 F.2d 7, 9 (1st Cir. 1993); *In re Temtechco, Inc.*, 1998 WL 887256, at *5 (Bankr. D. Del. Dec. 18, 1998); *In re Congoleum Corp.*, 2007 WL 1428477, at *2 (Bankr. D.N.J. May 11, 2007).

36. These Chapter 11 Cases were filed with the goal of marketing the Debtors' assets in an exhaustive, yet efficient, fashion, as demonstrated by their marketing and sale efforts to date. Consistent with this goal, the Debtors have diligently formulated the Bidding Procedures to ensure an open and fair sale process for the Litigation Assets. Pursuant to the Bidding Procedures, the Debtors will consider all Qualified Bids to ensure an arms' length, good faith sale process.

37. At the Sale Hearing, the Debtors will make a record that any Successful Bidder is a "good faith" purchaser. Accordingly, the Debtors request that the Sale Order include a provision that the Successful Bidder for the Litigation Assets is a "good faith" purchaser within the meaning of section 363(m) of the Bankruptcy Code. The Debtors maintain that providing the Successful Bidder with such protection will ensure that the Debtors for the Litigation Assets will receive the maximum price.

VI. The Form and Manner of the Sale Notice Should Be Approved.

38. Pursuant to Bankruptcy Rule 2002(a), the Debtors are required to provide creditors with 21 days' notice of a proposed sale of the Debtors' assets. Within two (2) business days following entry of the Bidding Procedures Order, the Debtors will cause the Sale Notice and the

Bidding Procedures Order to be served upon the Notice Parties, which the Debtors expect to occur in advance of the 21 days' notice period required by Bankruptcy Rule 2002(a).

39. The Sale Notice, which includes information concerning the “free and clear” nature of the Sale, the Bidding Procedures, and other material information, constitutes good and adequate notice of the Auction and Sale Hearing, and the proceedings with respect thereto, in compliance with, and satisfaction of, the applicable requirements of Bankruptcy Rule 2002 and Local Rule 6004-1. The Debtors submit that, given the one-off nature of the Litigation Assets and the limited number of likely potential purchasers, cause exists to provide notice pursuant to the Marketing Plan and to the Notice Parties, and to approve the form and manner of the Sale Notice described herein.

NOTICE

40. Notice of this Motion will be given to: (i) the U.S. Trustee; (ii) counsel to the Debtors' prepetition and DIP lenders; (iii) the holders of the thirty (30) largest unsecured claims against the Debtors on a consolidated basis; and (iv) the Notice Parties. The Debtors submit that in view of the facts and circumstances, such notice is sufficient and no other or further notice need be provided.

NO PRIOR REQUEST

41. No prior request for the relief sought in this Motion has been made to this or any other court.

WHEREFORE, the Debtors respectfully request that the Court grant the relief requested by this Motion and such further relief as may be just and proper under the circumstances.

Dated: March 11, 2025
Wilmington, Delaware

COLE SCHOTZ P.C.

/s/ Melissa M. Hartlipp

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*Counsel for Debtors and
Debtors-in-Possession*

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

In re: PetroQuest Energy, Inc., <i>et al.</i>, Debtors.¹	Chapter 11 Case No. 24-12609 (CTG) (Jointly Administered) Objection Deadline: March 25, 2025 at 4:00 p.m. (ET) Hearing Date: April 1, 2025 at 3:00 p.m. (ET)
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**NOTICE OF DEBTORS' MOTION FOR ENTRY OF (I) AN ORDER
(A) AUTHORIZING AND APPROVING BIDDING PROCEDURES
IN CONNECTION WITH THE SALE OF CERTAIN OF THE DEBTORS'
LITIGATION ASSETS, (B) SCHEDULING THE AUCTION AND SALE HEARING,
(C) APPROVING THE FORM AND MANNER OF NOTICE THEREOF, AND
(D) GRANTING RELATED RELIEF; AND (II) AN ORDER (A) APPROVING
THE SALE OF CERTAIN OF THE DEBTORS' LITIGATION ASSETS
FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES,
AND INTERESTS AND (B) GRANTING RELATED RELIEF**

PLEASE TAKE NOTICE THAT, on March 11, 2025, the above-captioned debtors and debtors in possession (the "Debtors") filed the *Debtors' Motion for Entry of (I) an Order (A) Authorizing and Approving Bidding Procedures in Connection with the Sale of Certain of the Debtors' Litigation Assets, (B) Scheduling the Auction and Sale Hearing, (C) Approving the Form and Manner of Notice Thereof, and (D) Granting Related Relief; and (II) an Order (A) Approving the Sale of Certain of the Debtors' Litigation Assets Free and Clear of All Encumbrances; and (B) Granting Related Relief* (the "Motion")² with the United States Bankruptcy Court for the District of Delaware (the "Court").

PLEASE TAKE FURTHER NOTICE that a hearing on the Motion will be held on **April 1, 2025 at 3:00 p.m. (prevailing Eastern Time)** before the Honorable Craig T. Goldblatt, United States Bankruptcy Judge for the District of Delaware, at the Court, 824 North Market Street, 3rd Floor, Courtroom No. 7, Wilmington, Delaware 19801.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the entry of an order granting the relief sought in the Motion must be made in writing and filed with the Court on or before **March 25, 2025 at 4:00 p.m. (prevailing Eastern Time)** (the "Objection Deadline"). At

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: PetroQuest Energy, Inc. (0714), PetroQuest Energy, L.L.C. (2439), PetroQuest Oil & Gas, L.L.C. (1170), and PQ Holdings LLC, (7576). The location of the Debtors' corporate headquarters and the Debtors' service address in these chapter 11 cases is 400 E. Kaliste Saloom Road, Suite 5200, Lafayette, LA 70508.

² A copy of the Motion is also available on (i) the Court's website: www.deb.uscourts.gov and (ii) the website maintained by the Debtors' Claims and Noticing Agent, Stretto: <https://cases.stretto.com/PetroQuest>.

the same time, you must serve a copy of the response or objection upon the undersigned counsel to the Debtors so as to be received on or before the Objection Deadline.

PLEASE TAKE FURTHER NOTICE THAT IF YOU FAIL TO PROPERLY FILE AND SERVE A RESPONSE ON OR BEFORE THE OBJECTION DEADLINE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER NOTICE OR HEARING.

Dated: March 11, 2025
Wilmington, Delaware

COLE SCHOTZ P.C.

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*Counsel for Debtors and
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Exhibit A

Bidding Procedures Order

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

In re: PetroQuest Energy, Inc., <i>et al.</i> , Debtors. ¹	Chapter 11 Case No. 24-12609 (CTG) (Jointly Administered) Related to Docket No. ____
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**ORDER (A) AUTHORIZING AND APPROVING BIDDING
PROCEDURES IN CONNECTION WITH THE SALE OF CERTAIN
OF THE DEBTORS' LITIGATION ASSETS, (B) SCHEDULING
THE AUCTION AND SALE HEARING, (C) APPROVING THE FORM
AND MANNER OF NOTICE THEREOF, AND (D) GRANTING RELATED RELIEF**

Upon the motion [Docket No. ____] (the "Motion")² filed by the above-captioned debtors and debtors in possession (the "Debtors") for entry of an order (this "Order") pursuant to sections 105(a) and 363 of the Bankruptcy Code, Bankruptcy Rules 2002, 6004, 6007, 9007, 9008, and 9014 of the Federal Rules of Bankruptcy Procedure, and Local Rule 6004-1, (i) authorizing and approving the Bidding Procedures set forth in the Motion in connection with the Sale of the Debtors' Litigation Assets; (ii) approving the form and manner of the Sale Notice, attached hereto as **Exhibit 1**; (iii) scheduling the Auction and Sale Hearing for the Sale of the Litigation Assets; (iv) establishing deadlines for filing a proposed order approving a Sale; and (v) granting related relief, all as further described in the Motion; and upon consideration of the record of these chapter 11 cases; and this Court having found that (a) this Court has jurisdiction over the Debtors, their estates, property of their estates and to consider the Motion and the relief requested therein under 28 U.S.C. §§ 157 and

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: PetroQuest Energy, Inc. (0714), PetroQuest Energy, L.L.C. (2439), PetroQuest Oil & Gas, L.L.C. (1170), and PQ Holdings LLC, (7576). The Debtors' corporate headquarters is 400 E. Kaliste Saloom Road, Suite 5200, Lafayette, LA 70508.

² Capitalized terms used but not otherwise defined in this Order shall have the meanings given to them in the Motion.

1334 and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware*, dated February 29, 2012, (b) this Court may enter a final order consistent with Article III of the United States Constitution, (c) this is a core proceeding under 28 U.S.C. § 157(b), (d) venue of this proceeding and the Motion in this District is proper under 28 U.S.C. §§ 1408 and 1409, and (e) the Debtors' notice of the Motion and opportunity for a hearing were adequate and appropriate under the circumstances and no other or further notice need be provided; and this Court having reviewed the Motion and having heard the statements in support of the relief requested in the Motion at a hearing before this Court (the "Hearing"); and having determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted in this Order; and this Court having found and determined that the relief sought in the Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:

1. The Motion is GRANTED to the extent set forth herein.
2. All objections to the relief requested in the Motion that have not been withdrawn, waived, or settled prior to or at the Hearing are overruled.
3. The Bidding Procedures, as described in the Motion, and as may be modified by the Debtors in their business judgment, are hereby approved in all respects and shall govern all Bidders and Bids, including those that may be submitted by Qualified Bidders at the Auction.
4. Bidders seeking to submit Bids for the Litigation Assets must do so in accordance with the terms of the Bidding Procedures and this Order.
5. The Bid Deadline for all Potential Bidders to submit a Qualified Bid is **April 24, 2025, at 4:00 p.m. (prevailing Eastern Time)**, as set forth in the Bidding Procedures.

6. If at least two Qualified Bids are received by the Debtors for the Litigation Assets by the Bid Deadline, the Debtors will hold the Auction beginning on **April 28, 2025, at 10:00 a.m. (prevailing Eastern Time)** in accordance with the Bidding Procedures at the location designated by the Debtors in the Sale Notice, and that, except as set forth in this Order, the Debtors shall have reasonable discretion in their business judgment regarding all logistical and procedural aspects of the Auction.

7. As soon as practicable after the Auction and in no event later than April 29, 2025, the Debtors shall file with the Court and post on the case website, <https://cases.stretto.com/PetroQuest/>, a Notice of Successful Bidder.

8. The Sale Notice substantially in the form attached to this Order as **Exhibit 1** is approved in all respects. No other or further notice of the Bidding Procedures, the Sale Hearing, relevant objection or other deadlines, or the Sale is required.

9. To be a Qualified Bidder, each Bidder further agrees that its Bid, if not chosen as the Successful Bidder, shall serve, without modification, as a Back-Up Bidder as may be designated by the Debtors at the Sale Hearing, in the event the Successful Bidder fails to close as provided in the Successful Bidder's purchase agreement, as modified, if at all, and the Sale Order.

10. The Sale Hearing to approve the Sale pursuant to the Motion shall be held on **May 6, 2025, at 10:00 p.m. (prevailing Eastern Time)**.

11. The Debtors shall file a proposed Sale Order approving the sale of the Litigation Assets at least two (2) days prior to the Sale Hearing.

12. To be considered, any objection to a Sale must: (i) comply with the Bankruptcy Rules and the Local Rules; (ii) be made in writing and filed with the Court; and (iii) be filed on or before **April 30, 2025, at 4:00 p.m. (prevailing Eastern Time)** (the "Sale Objection Deadline").

13. The failure of any objecting person or entity to timely file an objection prior to the Sale Objection Deadline shall be a bar to the assertion at the Sale Hearing or thereafter of any objection to the relief requested by the Debtors, or the consummation and performance of a Sale for the Litigations Assets to a Successful Bidder, including the transfer of the Litigation Assets free and clear of all liens, claims, encumbrances, and interests (with the same to attach to the cash proceeds of the Sale to the same extent and with the same order of priority, validity, force, and effect which they previously had against the Litigation Assets, subject to the rights and defenses of the Debtors and the Debtors' estate with respect thereto).

14. The Debtors shall have the discretion, in their reasonable business judgment, to determine whether any Bidder is a Qualified Bidder, but the Court shall make the final determination on all issues related to the same at the Sale Hearing.

15. After the Auction, the Debtors shall proceed at the Sale Hearing with the Successful Bid and Back-Up Bid, as applicable, and the Bidder submitting the same shall be prepared to provide such evidence and testimony as may be reasonably necessary and reasonably requested by the Debtors to prosecute the Motion.

16. Provided the Court otherwise approves the Sale presented at the Sale Hearing, the Debtors shall return all Bid Deposits of Qualified Bidders, but any Successful Bidder or Back-Up Bidder, should it fail to close, shall forfeit its Bid Deposit to the Debtors' estates.

17. No Qualified Bidder or any other person or entity shall be entitled to any expense reimbursement, break-up fee, termination, or other similar fee or payment in connection with the Sale.

18. The Debtors are authorized and empowered to execute and deliver such documents, and to take and perform all actions necessary to implement and effectuate the relief granted in this Order.

19. All persons and entities that participate in the Sale Process and/or the Auction shall be deemed to have knowingly and voluntarily submitted to the exclusive jurisdiction of this Court with respect to all matters related to the Bidding Procedures, the Sale, and the Auction.

20. To the extent of any inconsistencies between the Bidding Procedures and this Order, this Order shall govern.

Exhibit 1

Sale Notice

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

In re:

PetroQuest Energy, Inc., *et al.*,

Debtors.¹

Chapter 11

Case No. 24-12609 (CTG)

(Jointly Administered)

**NOTICE OF BIDDING PROCEDURES,
AUCTION, SALE HEARING AND DEADLINES RELATING
TO THE SALE OF CERTAIN OF THE DEBTORS' LITIGATION ASSETS**

PLEASE TAKE NOTICE that on March 11, 2025, PetroQuest Energy, Inc. and its affiliates (the “Debtors”) filed the *Debtors’ Motion for Entry of (I) an Order (A) Authorizing and Approving Bidding Procedures in Connection with the Sale of Certain of the Debtors’ Litigation Assets, (B) Scheduling the Auction and Sale Hearing, (C) Approving the Form and Manner of Notice Thereof, and (D) Granting Related Relief; and (II) an Order (A) Approving the Sale of Certain of the Debtors’ Litigation Assets Free and Clear of All Encumbrances; and (B) Granting Related Relief* [Docket No. [●]] (the “Motion”),² seeking to auction (“Auction”) and sell certain of the Debtors’ Litigation Assets.³

PLEASE TAKE FURTHER NOTICE that, on [●], 2025, the Court entered an order [Docket No. [●]] (the “Bidding Procedures Order”) granting certain of the relief sought in the Motion, including Bidding Procedures which establish the key dates and times related to the Sale and the Auction. All interested bidders should carefully read the Bidding Procedures Order and the Bidding Procedures in their entirety.⁴

PLEASE TAKE FURTHER NOTICE that the Debtors will accept bids for the Litigation Assets.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are: PetroQuest Energy, Inc. (0714), PetroQuest Energy, L.L.C. (2439), PetroQuest Oil & Gas, L.L.C. (1170), and PQ Holdings LLC, (7576). The location of the Debtors’ corporate headquarters and the Debtors’ service address in these chapter 11 cases is 400 E. Kaliste Saloom Road, Suite 5200, Lafayette, LA 70508.

² Capitalized terms not otherwise defined herein have the meanings given to such terms in the Motion or the Bidding Procedures Order (as defined herein), as applicable.

³ The “Litigation Assets” consist of the Debtors’ interests in the following lawsuit: *Sanare Energy Partners, LLC v. PetroQuest Energy, L.L.C., et al.*, Case No. 18-36322, Adv. No. 19-03329 (Bankr. S.D. Tex.).

⁴ To the extent of any inconsistencies between the Bidding Procedures and the summary descriptions of the Bidding Procedures in this notice, the terms of the Bidding Procedures shall control in all respects.

PLEASE TAKE FURTHER NOTICE that any interested party shall be provided reasonable due diligence during normal business hours to review non-privileged books and records related to the Litigation Assets.

PLEASE TAKE FURTHER NOTICE that only a Qualified Bidder may participate in the Auction. In order to become a Qualified Bidder, an interested party or group must tender to the Debtors, by the Bid Deadline: a Bid Letter specifying the Litigation Assets; the Bid Deposit; and a Qualified APA. To be a Qualified Bidder, each Bidder further agrees that its Bid, if not chosen as the Successful Bidder, shall serve, without modification, as a Back-Up Bidder as may be designated by the Debtors at the Sale Hearing, in the event the Successful Bidder fails to close as provided in the Successful Bidder's purchase agreement, as modified, if at all, and the Sale Order. The Bid Deposit shall be 20% of the cash portion of the Bid by wire transfer received in advance of the date set for the Auction. For the avoidance of doubt, any secured party that submits a Credit Bid, Bid Letter, and Qualified APA by the Bid Deadline shall be designated a Qualified Bidder. A Qualified Bidder that submits a Credit Bid shall not be required to make a Bid Deposit.

PLEASE TAKE FURTHER NOTICE that the Bid Deadline is **April 24, 2025, at 4:00 p.m. (prevailing Eastern Time)**.

PLEASE TAKE FURTHER NOTICE that each Bidder shall submit its form Proposed APA tailored to the Litigation Assets. The Debtors shall retain the right to reject a Proposed APA in their business judgment. A Proposed APA acceptable to the Debtors shall be a Qualified APA. The following shall be required of any Qualified APA:

- a) If the Qualified Bidder is a group, it must contain a disclosure of all members of the group and a representation that the members of the group did not engage in collusive behavior;
- b) It must not be subject to any due diligence, other than as provided for in these Bidding Procedures;
- c) It must not be subject to any financing contingency;
- d) It must disclose whether the Bidder or any of its affiliates or insiders are insiders of the Debtors, as defined in 11 U.S.C. § 101(31);
- e) It must not contain any break-up fee or expense reimbursement; and
- f) It must provide for a closing no later than two (2) business days after the day on which the Court enters the order approving the Sale, unless such order is stayed.

PLEASE TAKE FURTHER NOTICE that the Auction shall commence on **April 28, 2025, at 10:00 a.m. (prevailing Eastern Time)**, and shall take place at [•], unless otherwise designated by the Debtors in writing to each Qualified Bidder.

PLEASE TAKE FURTHER NOTICE that the Debtors will seek approval of the Sale at a hearing before the Bankruptcy Court on **May 6, 2025 at 10:00 a.m. (prevailing Eastern Time)**.

PLEASE TAKE FURTHER NOTICE that the deadline to file an objection to the Sale of the Litigation Assets, including the sale of the Litigation Assets free and clear of liens, claims, interests, and encumbrances pursuant to section 363(f) of the Bankruptcy Code is **April 30, 2025 at 4:00 p.m. (prevailing Eastern Time)** (the “Sale Objection Deadline”). Any party who fails to make a timely and proper Sale Objection on or before the Sale Objection Deadline in accordance with the Bidding Procedures Order and this Notice shall be forever barred from asserting any Sale Objection, including with respect to the transfer of any Litigation Assets free and clear of all liens, claims, encumbrances and other interests.

PLEASE TAKE FURTHER NOTICE of the following procedures for the Auction:

- a) *Overbid and Bid Increments.* The first overbid, and each successive bid, must be in increments of at least an additional 10% of the applicable Starting Bid. The Debtors may conduct rounds of bidding in their discretion.
- b) *Successful Bidder and Back-up Bidder.* The Debtors shall announce the Successful Bidder at the conclusion of the Auction. At the conclusion of the Auction, the party with the next highest or otherwise best Qualified Bid for the Litigation Assets, shall be required to serve as the Back-Up Bidder. The Back-Up Bidder shall be required to keep its final Bid open and irrevocable until the later of 4:00 p.m. (prevailing Eastern Time) on the date that is five (5) days after the date of the Sale Hearing or the closing of the transaction with the Successful Bidder. Following entry of the Sale Order, if the Successful Bidder fails to consummate an approved transaction because of a breach or failure to perform on the part of such Successful Bidder, the Debtors may designate the Back-up Bidder to be the new Successful Bidder, and the Debtors will be authorized, but not required, to consummate the transaction with the Back-up Bidder without further order of the Bankruptcy Court. Each Successful Bidder and Back-Up Bidder must be prepared to participate at the Sale Hearing and present such arguments, representations, or evidence as may be required by the Court, although the Debtors, at their burden and expense, shall otherwise take the lead in conducting the Sale Hearing.
- c) *Credit Bid.* Any secured party shall be entitled to credit bid some or all of its claims pursuant to section 363(k) of the Bankruptcy Code.

PLEASE TAKE FURTHER NOTICE that the Bid Deposits of all bidders other than the Successful Bidder and the Back-Up Bidder shall be promptly returned following the conclusion of the Auction. The Bid Deposits of Successful Bidder and Back-Up Bidder shall be retained, returned, or applied as otherwise provided for in their Qualified APAs. For the avoidance

of doubt, the Bid Deposit of a Successful Bidder and/or the Back-Up Bidder shall be forfeited to the Debtors' estates if the Debtors proceed to a closing, and all conditions precedent are satisfied, yet the Successful Bidder and/or the Back-Up Bidder fails to close.

PLEASE TAKE FURTHER NOTICE that other than with respect to the above, the Debtors shall retain their business judgment on all other issues, which shall be reviewed by the Bankruptcy Court at the Sale Hearing as would otherwise be appropriate. The Debtors may, in their sole discretion, following notice to the interested parties, cancel or reschedule the Auction.

PLEASE TAKE FURTHER NOTICE that parties interested in receiving more information regarding the contemplated sale and/or copies of any related documents may visit the websites maintained by Stretto, the Debtors' claims and noticing agent, <https://cases.stretto.com/PetroQuest>.

Dated: [●], 2025
Wilmington, Delaware

COLE SCHOTZ P.C.

/s/ DRAFT

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