

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

IN RE:	§	Chapter 11
	§	
Barrow Shaver Resources Company	§	Case No. 24-33353 (ARP)
LLC, ¹	§	
	§	
Debtor.	§	

**OBJECTION OF CACTUS WELLHEAD, LLC AND PRINCESS THREE OPERATING,
LLC TO MIDDLETON OIL COMPANY’S APPLICATION FOR ALLOWANCE AND
PAYMENT OF ADMINISTRATIVE EXPENSE CLAIMS
[Relates to Docket Nos. 1148]**

TO THE HONORABLE ALFREDO R. PEREZ, U. S. BANKRUPTCY JUDGE:

COME NOW Cactus Wellhead, LLC (“Cactus”) and Princess Three Operating, LLC (“Princess Three” collectively with Cactus the “Objecting Creditors”) and hereby file this *Objection to Middleton Oil Company’s Application for Allowance and Payment of Administrative Expense Claims [Dkt. No. 1148]* and would show the Court as follows:

**I.
Preliminary Statement**

1. This has been a contentious case from the beginning—as it commenced with an involuntary petition. Shortly after Debtor, Barrow Shaver Resources Company (“Debtor”) filed its voluntary petition. In its First Day Declaration, the Debtor disclosed the so-called “Mineral Interest Title Issue” (defined below). Dkt. 63. Despite the identified Mineral Interest Title Issue, the Debtor also moved for and obtained an interim and final order allowing it to pay purported working interests owners, including Middleton Oil, over the objections of various parties including

¹ The last four digits of the Debtor’s federal tax identification number are 0510. The Debtor’s corporate headquarters is located at 977 Pruitt Place, Tyler, TX 75703.

the Objecting Creditors. Dkts. 61, 81 and 237. Pursuant to the authority granted in the Mineral Interest Order (defined below), Middleton Oil Company (“Middleton”) has received at least \$3,569,373.40.² Objecting Creditors have received \$0.00 for their secured claims during this case.³

2. Objecting Creditors, as secured creditors, object to Middleton’s motion seeking allowance and payment of an asserted administrative expense claim. Objecting Creditors adopt and independently assert the objections and arguments made by Debtor in its objection at Docket No. 1213. Furthermore, Objecting Creditors additionally object to immediate payment of any allowed administrative expense claim before the secured creditors are paid under a plan of reorganization, in violation of the priorities dictated by the Bankruptcy Code, 11 U.S.C. § 507 and 1129.

II. Background

3. On July 23, 2024 (the “Petition Date”), Axis Energy Services, LLC, DOC Energy Services, Inc., Cudd Pressure Control, Inc., Thru Tubing Solutions, Inc., Genesis Fluids, LLC, and Force Pressure Control, LLC (collectively, the “Petitioning Creditors”) filed an involuntary petition (the “Involuntary Petition”) under chapter 7 of the Bankruptcy Code. *See* Dkt. 1. The basis for the Involuntary Petition was outstanding trade claims owed to the Petitioning Creditors in the total amount of \$8,454,981.01.

4. On August 19, 2024 (the “Voluntary Petition Date”), Debtor Barrow Shaver

² *See* Debtor’s Objection to Middleton Oil Company’s Application for Allowance and Payment of Administrative Expense Claim. [Dkt. 1213].

³ Cactus has an and agreed valid secured claim for its asserted lien claims. *See* Stipulation and Agreed Order Resolving Cactus Wellhead, LLC’s Joinder of Profrac’s Motion for Entry of Order Granting Adequate Protection and Separate Motion for Entry of an Order Granting Adequate Protection (“Cactus Stipulation”) [Dkt. 540].

Resource Company, LLC (“Debtor”) filed its voluntary petition for relief under chapter 11 of the Bankruptcy Code. *See* Dkt. 46. On the Voluntary Petition Date, James A. Katchadurian assumed operational and financial control of the Debtor as Chief Restructuring Officer (“CRO”).

5. Debtor owns and operates oil and gas leases “in the Hidden Rock field in and around Cass County, Texas (the ‘Hidden Rock Field,’ and such operations being the ‘Hidden Rock Operations’).” Dkt. 63 at ¶ 24. To Objecting Creditors’ knowledge, Debtor owned over ninety-seven percent (97%) of the record title of the working interests in the Hidden Rock Field as of the Petition Date.

6. Per Debtor, it identified the Mineral Interest Title Issue “specifically affecting Working Interests and ORRIs conveyed in connection with the Hidden Rock Operations—namely, that, in certain instances, conveyances from the Debtor’s leasehold interest were either (i) not properly documented and/or (ii) not properly recorded.” *Id.* at ¶ 26.

7. On August 19, 2024, Debtor filed the Motion seeking Court authorization to continue paying holders of royalty interests, alleged working interests, and alleged ORRIs in the same manner it had done before the Petition Date. *See* Dkt. 61. On September 30, 2024, the Court entered the Final Order (I) Authorizing the Debtor to Pay or Apply Payments Attributable to Mineral Interests in the Ordinary Course and (ii) Granting Related Relief (“Mineral Interest Order”). *See* Dkt. 237.

8. Prior to the Petition Date, Cactus and Princess Three (collectively, the “Objecting Creditors”) each provided contracted-for and unpaid services and materials to Debtor. For pre-petition services rendered, Debtor owes (i) Cactus not less than \$219,074.94 and (ii) Princess Three not less than \$423,415.05. The Objecting Creditors each hold statutory lien rights against Debtors’ interests in certain oil and gas properties under Chapter 56 of the Texas Property Code (the

“Chapter 56 Liens”). Additionally, on October 28, 2025, Cactus filed Adversary Proceeding, Cause No. 25-03797, wherein, it asserted (i) a claim for declaratory judgment, to declare that under the Texas Recording Statute and Trustee Strong Arm Powers, that Debtor is the legal and equitable owner of 97.33333% of 8/8th of the working interests in the Hidden Rock Field; (ii) declaration that Cactus’s Chapter 56 Liens are valid, properly perfected, enforceable in the amount asserted, are senior to any claims of the alleged working interest owners, and encumber the named wells and leasehold interests and against the Debtor; and (iii) alternatively, foreclosure of the subcontractor Chapter 56 Liens against the alleged working interest owners, including Middleton Oil.

9. On or about November 19, 2025, the Court entered the Order Granting Debtor’s Emergency Motion for Entry of an Order (I) Approving the Sale of Substantial Majority of the Debtor’s Assets to TexOil Investments, LLC (II) Authorizing the Debtor to Enter Into the TexOil Asset Purchase Agreements, (III) Approving the Sale of the Assets Free and Clear of Claims, Liens, Interests, and Encumbrances, (IV) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases as Set Forth in TexOil Asset Purchase Agreements, and (V) Granting Related Relief (“Sale Order”). Dkt. 972. On May 1, 2026, the Debtor filed its Notice of Sale Closing and Deadline for Filing Rejection Damages Claims. Dkt. 1177. Under the Sale Order, “the Mineral Liens shall attach to all proceeds of the Sale Transaction (including all cash proceeds) to the same extent and with the same validity, priority, force, and effect that they have as against the Assets being transferred pursuant to the TexOil Asset Purchase Agreements...” Dkt. 972, ¶ 22.

II. **Objection**

Objecting Creditors adopt and independently assert the Debtor's objections and arguments asserted at Docket No. 1213.

A. Middleton Cannot Satisfy the Requirements for an Administrative Expense Claim.

10. Middleton bears the burden of proving that its administrative expense claim constitutes an “actual, necessary” cost of preserving the estate arising from a **post-petition transaction** with the debtor-in-possession that conferred a demonstrable benefit to the estate. Middleton fails to satisfy the burden because, (i) the alleged AFE advances were overwhelmingly paid prepetition, (ii) the asserted claims arise from prepetition contractual relationships; and (iii) the damages sound in rejection damages, not as administrative claims. Further, the billing dispute claims do not constitute “actual, necessary” costs of preserving the estate. Such claims are classic breach of contract disputes, properly treated as general unsecured claims. And withheld revenue claims derive from Middleton's status of an alleged working interest owner, and are subject to ongoing title and avoidance claims—which do not constitute administrative claims.

B. Payment of any Allowed Administrative Expense Claim is Improper and Would Violate the Bankruptcy Code's Priority Scheme.

11. Should this Court grant Middleton any amount as an administrative expense claim, Objecting Creditors object to the immediate payment of any allowed administrative expense claim before secured creditors, including Objecting Creditors, are paid in full under a plan of reorganization.

12. An allowed mineral lien, once perfected and recognized under applicable non-bankruptcy law, holds priority over an administrative expense claim in bankruptcy because it constitutes a secured claim that must be satisfied from its collateral before any distributions are made under the Bankruptcy Code's priority scheme. *See United States v. Whiting Pools, Inc.*, 462

U.S. 198, 211 (1983) (recognizing that secured creditors have priority in the value of their collateral in bankruptcy). Under 11 U.S.C. § 506(a), a lienholder's claim is secured to the extent of the value of its collateral, placing it outside—and ahead of—the general priority waterfall set forth in 11 U.S.C. § 507, which governs unsecured claims, including administrative expenses allowed under § 503(b). Although administrative expenses are granted first priority among unsecured claims (other than domestic support obligations and certain trustee expenses) under § 507(a)(2), they do not prime or displace valid, prepetition secured liens unless specifically subordinated or avoided. *See Hartford Underwriters Ins. Co. v. Union Planters Bank, N.A.*, 530 U.S. 1, 12 (2000); *In re Delta Towers, Ltd.*, 924 F.2d 74, 76–77 (5th Cir. 1991) (placing the burden on the claimant to justify any surcharge against collateral for administrative costs). This structure reflects the broader “absolute priority” framework embedded in the Code, under which senior interests (including secured claims) must be paid in full before junior interests receive any distribution. *See* 11 U.S.C. §§ 506, 725-726, 1129 (b)(2)(A). Accordingly, absent a surcharge (not presented) or consent (which Objecting Creditors do not consent) proceeds subject to a mineral lien must be applied first to satisfy the lienholder, and only any surplus enters the estate for distribution in accordance with the statutory waterfall, leaving administrative expense claimants subordinate to the secured mineral lienholder's recovery.

13. Administrative claims are not payable until plan confirmation (or administrative insolvency analysis is conducted). Based on the foregoing and the Cactus Stipulation, the Objecting Creditors' Chapter 56 Liens must be paid (Cactus) or go through a lien determination procedure (Princess Three) before any administrative expense claims may be paid. Debtor should be filing an amended plan of reorganization in the near future. Objecting Creditors expect that the amended plan of reorganization will properly address payment of secured claims under a statutory

waterfall consistent with the Bankruptcy Code.

14. Middleton's Application is an improper attempt to elevate disputed, prepetition, and contingent claims to superpriority status at the expense of secured creditors and should be denied in its entirety. Middleton's claim for an administrative claim should be denied for the reasons stated in Debtor's objection, incorporated herein, and if allowed in any amount, should not be authorized for payment until a plan is confirmed with a waterfall consistent with the Bankruptcy Code.

WHEREFORE, Cactus Wellhead LLC and Princess Three Operating, LLC respectfully request that the Court sustain the Objection herein and deny Middleton Oil Company's Application for Allowance and Payment of Administrative Expense Claims, or alternatively, any allowance should be contingent and unliquidated, subject to recoupment and setoff, not payable until a plan is confirmed, and subordinated to allowed secured claims.

Dated: May 22, 2026

Respectfully submitted,

MEHAFFY WEBER, P.C.

/s/ Holly C. Hamm

Holly C. Hamm

State Bar No.24036713

HollyHamm@mehaffyweber.com

Blake Hamm

State Bar No. 24069869

BlakeHamm@mehaffyweber.com

P.O. Box 16

Beaumont, TX 77704

Telephone: (409) 835-5011

Facsimile: (409) 835-5177

**ATTORNEYS FOR
CACTUS WELLHEAD, LLC, and
PRINCESS THREE OPERATING, LLC**

CERTIFICATE OF SERVICE

I hereby certify that on this the 22nd day of May 2026, the foregoing document to be served as provided under the Court's CM/ECF system.

/s/ Holly C. Hamm

Holly C. Hamm