

**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 Nos. 355, 370 and 383
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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. 355] (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, subject to the following modifications:
 - (i) Bidders shall disclose any connections they have to Sanare or to any of the defendants in the Additional Lawsuits (as defined in Docket No. 370) or any affiliates or insiders of each of the

foregoing; and (ii) the marketing premium described in Paragraph 5(k) of the Motion shall be carved-out from the lenders' collateral and not be part of the Debtors' estate.

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. 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”).

12. The Debtors shall file a proposed Sale Order approving the sale of the Litigation Assets at least seven (7) days prior to 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.



Dated: April 2nd, 2025
Wilmington, Delaware

CRAIG T. GOLDBLATT
UNITED STATES BANKRUPTCY JUDGE

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. 355] (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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