

# Ruby Pipeline Settles Ch. 11 Timeline, Plans January Exit

By **Leslie A. Pappas**

Law360 (July 19, 2022, 1:01 PM EDT) -- Ruby Pipeline LLC will sell its assets before the end of the year and emerge from Chapter 11 by January under a settlement reached with creditors on the eve of what was expected to be a four-day trial, the Texas-based pipeline owner told a bankruptcy court in Delaware Tuesday.

"Certainly nobody likes to gear up for a trial and then settle the evening before," Ruby Pipeline's attorney Ray C. Schrock of Weil Gotshal & Manges LLP said at an in-person hearing in Wilmington. But the resolution that Ruby Pipeline reached with a committee of unsecured creditors, its equity sponsors, and an ad hoc group of noteholders over the trajectory of its Chapter 11 bankruptcy will give everyone a chance to "turn over a new leaf, re-set, and work together," he said.

Under the settlement, Ruby Pipeline will begin a formal outreach to prospective buyers on Aug. 15 and will file proposed bid procedures for a bankruptcy auction by Aug. 22, Schrock told the court. Ruby Pipeline agreed to meet with unsecured creditors by Oct. 17 about a Chapter 11 plan and a path forward in bankruptcy. The settlement targets a closing date for the asset sale no later than Jan. 4, 2023, and an emergence from bankruptcy 14 days following confirmation of a Chapter 11 plan, which should be around Jan. 30, 2023, Schrock said.

U.S. Bankruptcy Judge Craig T. Goldblatt said he had no questions and would be "happy to enter that order and put this issue in the rearview mirror for everyone."

"Where you ended up is within a stone's throw of where it likely would have landed if you had spent four days screaming at each other," Judge Goldblatt said. "But what you've done that I couldn't have done is hit the reset button."

The agreement resolves – at least for now – a dispute that has plagued Ruby Pipeline since the beginning of its bankruptcy.

A joint venture between Kinder Morgan and Pembina Pipeline Corp., Ruby Pipeline **filed for bankruptcy** in April 2022, just hours before \$475 million in senior unsecured notes were set to mature and trigger a repayment of the principal and nearly \$20 million in interest.

The bankruptcy came after negotiations with senior noteholders to restructure the debt failed.

At the end of May, the committee of unsecured creditors **formally asked the court** to either terminate Ruby Pipeline's exclusivity period – the 120 days after filing for bankruptcy that a debtor has an exclusive right to come up with a Chapter 11 plan – or appoint a Chapter 11 Trustee.

The committee argued that Ruby Pipeline is not an organic "business enterprise" but a "thing" – specifically a 683-mile pipeline that transports natural gas from Wyoming to Oregon – and asserted that Ruby's equity sponsors were using the Chapter 11 to maintain control while avoiding payment on the notes.

An ad hoc group of noteholders, which says it holds 89% of the \$475 million in unsecured notes, sided with the committee.

Ruby Pipeline **objected to the motion**, and asked the court to extend the exclusive period, set to

expire on July 29, by 180 days to Jan. 25.

As part of the settlement, the committee of unsecured creditors agreed to withdraw its motion without prejudice and not oppose a 60-day extension of the exclusivity period. Under the agreement, if Ruby Pipeline doesn't file bid procedures by Aug. 22, its exclusivity period will immediately end, Schrock told the court.

Robert J. Stark of Brown Rudnick LLP, an attorney for the committee of unsecured creditors, said the agreement provides a structure that will help the committee achieve its objectives and will hopefully help resolve a dispute that "got personal."

"We're not at trust and friendship yet," he said, but the settlement will hopefully "bring this to a principled and constructive conclusion."

Damian S. Schaible of Davis Polk & Wardwell LLP, an attorney for the ad hoc group of noteholders, said the settlement provides a "concrete and reasonable timeline for the case."

"We hope today is the dawn of a new era," he said, although "there's a number of very complicated issues which remain."

For example, Ruby Pipeline has more than \$100 million in extra excess cash on its balance sheet, which should be used to pay off third-party claims.

"You're supposed to pay those notes down," Schaible said. "We hope that's something that will happen quickly."

Kinder Morgan and Pembina Pipeline Corp. also supported the settlement.

Ruby Pipeline is represented by Ray C. Schrock, David J. Lender, Sunny Singh, and Jared R. Friedmann of Weil Gotshal & Manges LLP; and Kevin Gross, Daniel J. DeFranceschi, John H. Knight, Cory D. Kandestin, Brendan J. Schlauch, and David T. Queroli of Richards Layton & Finger PA.

The Official Committee of Unsecured Creditors is represented by Robert J. Stark, Michael Winograd, Bennett S. Silverberg, Kenneth Aulet, and Andrew M. Carty of Brown Rudnick LLP; and Jennifer R. Hoover, Kevin M. Capuzzi, John C. Gentile of Benesch Friedlander Coplan & Aronoff LLP.

The Ad Hoc Group of Noteholders is represented by Damian S. Schaible, Elliot Moskowitz, Darren S. Klein, Aryeh Ethan Falk of Davis Polk & Wardwell LLP; and Robert J. Dehney, Matthew B. Harvey and Matthew O. Talmo of Morris Nichols Arsht & Tunnell LLP.

The case is In re: Ruby Pipeline LLC, case number 1:22-bk-10278, in the U.S. Bankruptcy Court for the District of Delaware.

--Additional reporting by Vince Sullivan. Editing by Alex Hubbard.