

Burst Pipeline? Bankruptcy Court Rules Sabine Can Reject Midstream Contracts

Bankruptcy Judge Shelley Chapman held that Sabine Oil & Gas Corp. has satisfied the standards for rejection of several gathering and handling agreements between Sabine and its midstream counter-parties, Nordheim Eagle Ford Gathering, LLC and HPIP Gonzales Holdings, LLC, report Ron D'Aversa and Douglas Mintz of **Orrick, Herrington & Sutcliffe LLP** in an article posted by **JDSupra.com**.

The authors say the ruling has limits, and the matter ultimately turns on whether certain covenants “run with the land” under Texas law.

“While the Court held that Sabine exercised reasonable business judgment in rejecting the agreements, the Court declined to decide ‘in a binding way the underlying legal dispute with respect to whether the covenants at issue run with the land,’ and instead offered a ‘non-binding’ analysis to determine the reasonableness of Sabine’s rejection. Thus, if the counter-parties can demonstrate that the covenants do run with the land in an adversary proceeding, Sabine may not be able to terminate those covenants,” according to the article.

Read the article.