

## CITATION

(Long Arm LSA R.S. 13:3201 et seq.)

STATE OF LOUISIANA, THROUGH THE  
DEPARTMENT OF NATURAL  
RESOURCES, OFFICE OF  
CONSERVATION  
(Plaintiff)

NUMBER C-684858 23

19<sup>th</sup> JUDICIAL DISTRICT COURT

PARISH OF EAST BATON ROUGE

STATE OF LOUISIANA

VS

UNITED STATES SPECIALTY INSURANCE  
COMPANY  
(Defendant)

**\*\* VIA LOUISIANA LONG ARM STATUTE LSA R.S. 13:3201 ET SEQ \*\***

**TO: UNITED STATES SPECIALTY INSURANCE COMPANY  
13403 NORTHWEST FREEWAY  
HOUSTON, TX 77040**

GREETINGS:

YOU HAVE BEEN SUED.

Attached to this citation is a certified copy of the petition. The petition tells you what you are being sued for.

You must EITHER do what the petition asks in accordance with LSA R.S. 13:3201 et seq. OR, you must file an answer or other legal pleading in the office of the Clerk of Court at 300 North Boulevard, Baton Rouge, Louisiana.

If you do not do what the petition asks, or if you do not file an answer or legal pleading, a judgment may be entered against you without further notice.

This citation was issued by the Clerk of Court for East Baton Rouge Parish, on **JUNE 28, 2019**.



*Deputy Clerk of Court for  
Doug Welborn, Clerk of Court*

**Requesting Attorney: HILLMAN, CANDICE RODGERS  
(225) 326-6085**

\*Also attached are the following documents:

**PETITION FOR SPECIFIC PERFORMANCE, VERIFICATION, REQUEST FOR NOTICE AND EXHIBITS**

NINETEENTH JUDICIAL DISTRICT COURT  
PARISH OF EAST BATON ROUGE  
STATE OF LOUISIANA

DOCKET NO. \_\_\_\_\_

DIVISION \_\_\_\_\_

STATE OF LOUISIANA, through the DEPARTMENT OF NATURAL RESOURCES,  
OFFICE OF CONSERVATION

v.

UNITED STATES SPECIALTY INSURANCE COMPANY

FILED: \_\_\_\_\_

DEPUTY CLERK: \_\_\_\_\_

PETITION FOR SPECIFIC PERFORMANCE

NOW INTO COURT, through undersigned counsel, comes the State of Louisiana, *ex rel.* Jeff Landry, Attorney General, through the Department of Natural Resources, Office of Conservation (herein "State"), who respectfully petitions this Honorable Court for a judgment to issue granting relief in favor of the State. On information and belief, the State makes the following allegations:

1.

The Plaintiff is:

The State of Louisiana, Department of Natural Resources, Office of Conservation, acting through Attorney General, Jeff Landry, who brings this action under La. Const. Art. IX, Sec. 1 and La. R.S. 30:1, *et seq.* The State is a juridical person, having its seat of government in East Baton Rouge Parish, State of Louisiana.

2.

The Plaintiff, under the above-cited legislation, is charged with the duty to protect, conserve, and replenish the natural resources of the State. The Attorney General, as chief legal officer of the State, is the primary trustee for bringing litigation to enable such protection, conservation, and replenishment.

3.

The state entity responsible for the regulation of oil and gas resources in the State is the Office of Conservation, which is directed and controlled by the Commissioner of Conservation. *St. Tammany Parish Govt. v. Welsh*, 2015-1152 (La. App. 1 Cir. 3/9/16), 199 So.3d 3; *see also* La. R.S. 30:1-4.



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4.

Jurisdiction is proper pursuant to La. R.S. 13:3201. Venue is proper in the Parish of East Baton Rouge pursuant to La. R.S. 30:93, La. C.C.P. Articles 74.4, 76, and 76.1.

5.

Made Defendant herein is:

**United States Specialty Insurance Company (herein "USSIC")**, a corporation having its principal place of business at 13403 Northwest Freeway, Houston, Texas 77040.

6.

On or about September 17, 2007, USSIC and Shoreline Southeast, L.L.C. (collectively, "Shoreline"), executed Performance Bond No. 003860 in the amount of One Hundred Twenty-Five Thousand and No/100 Dollars (\$125,000.00), in accordance with La. R.S. 30:4.3 (Exhibit 1). The Office of Conservation approved the Performance Bond No. 003860 on October 3, 2007.

7.

The purpose of the bond is to bind Shoreline and USSIC in their agreement to:

...[G]uarantee[s] the Principal's agreement to plug and abandon the Subject wells, to remove all platforms, pilings, facilities, pits and to restore the surface pursuant to the Leases, the Rules, Regulations and Orders of the Commissioner of Conservation/Laws of the State of Louisiana and to pay all costs and expenses associated therewith in full compliance with the terms of the Leases, the Rules, Regulations and Orders promulgated by the Commissioner of Conservation and/or any and all other state and federal agencies having jurisdiction over such matters and the Laws of the State of Louisiana as now written or as they may be hereafter amended.

8.

Performance Bond No. 003860 (as amended) contains an attachment denoted as "Exhibit A" that lists the oil and gas wells in Sabine Lake covered by the Performance Bond (*see* Exhibit 1).

9.

There were several amendments to Exhibit A of Performance Bond No. 003860, adding wells to and removing wells from the list of secured wells. However, Amendment No. 5, dated December 29, 2009, titled "Surety Rider No. 1," changed the penal limit of that Performance Bond from One Hundred Twenty-Five Thousand and No/100 Dollars (\$125,000.00) to Six Hundred Twenty-Five Thousand and No/100 Dollars (\$625,000.00).

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10.

On June 20, 2011, USSIC and Shoreline Offshore, L.L.C., executed Performance Bond No. 006604 in the amount of Six Hundred Twenty-Five Thousand and No/100 Dollars (\$625,000.00), in accordance with La. R.S. 30:4.3 (Exhibit 2). The Office of Conservation approved Performance Bond No. 006604 on July 8, 2011.

11.

The purpose of the bond is to bind Shoreline and USSIC in their agreement to:

...[G]uarantee[s] the Principal's agreement to plug and abandon the Subject wells, to remove all platforms, pilings, facilities, pits and to restore the surface pursuant to the Leases, the Rules, Regulations and Orders of the Commissioner of Conservation/Laws of the State of Louisiana and to pay all costs and expenses associated therewith in full compliance with the terms of the Leases, the Rules, Regulations and Orders promulgated by the Commissioner of Conservation and/or any and all other state and federal agencies having jurisdiction over such matters and the Laws of the State of Louisiana as now written or as they may be hereafter amended.

12.

Performance Bond No. 006604 contains an attachment denoted as "Exhibit A" that lists the oil and gas wells in Sabine Lake covered by the Performance Bond (*see* Exhibit 2).

13.

On or about November 11, 2016, Shoreline Offshore, L.L.C., and Shoreline Southeast, L.L.C., filed for bankruptcy protection in the Southern District of Texas (Docket No. 16-33571, jointly administered).

14.

On February 24, 2017, the Southern District of Texas entered an order entitled "Order (I) Authorizing (A) Sale of Assets Free and Clear of All Liens, Claims, Encumbrances and Interests and (B) the Debtors' Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (II) Granting Related Relief," which established an escrow account in the amount of \$2,062,500.00 (herein "Bankruptcy Escrow") to be funded for the purpose of properly plugging and abandoning as many Shoreline wells as possible (*see* order excerpts attached hereto as Exhibit 3).

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15.

Discussion on the record on February 24, 2017, also indicated that the court intended for additional plugging and abandonment costs to be borne by the bonds such as those guaranteed by USSIC (*see* hearing transcript excerpts attached hereto as Exhibit 4).

16.

Orders 17-0311 and 17-0312, confirming the abandonment of the wells subject to Performance Bond Nos. 003860 and 006604, were issued by Conservation on April 25, 2017, in connection with the bankruptcy proceedings (*see* Exhibit 5).

17.

On June 20, 2017, the abandoned Shoreline Offshore, L.L.C., and Shoreline Southeast, L.L.C., wells were orphaned by the Commissioner of Conservation as detailed in the *Louisiana Register*, Vol. 43, No. 6, p. 1225-1227 (*see* Exhibit 6).

18.

As of May 17, 2019, the Bankruptcy Escrow was nearly exhausted, and held \$589,100.00 (five hundred eighty-nine thousand one hundred and 00/100 dollars).

19.

The language of both bonds also requires payment of the bond amount to the penal limit.

Page three of each bond provides:

Whenever the Principal fails, neglects or refuses to carry out its obligation to plug and abandon any one or more or all of the Subject Wells, remove platforms or restore the surface of the Lease (or Subject Tract related to the Subject Well), *or to pay the cost thereof*, when and if it is required to do so under the terms of the Leases, and/or Rules, Regulations and Orders of the Commissioner of Conservation and/or the laws of the State of Louisiana and the Obligee has presented to the Surety a written notice of default, sent by Certified Mail, by the Principal of its obligations and such condition has persisted for sixty (60) days following the date of such written notice of default, then the surety shall within thirty (30) days...either (1) pay the Obligee an amount equal to the estimated cost of plugging and abandonment an restoration, subject to the penal limit of the bond *or* (2) commence the necessary operations to plug and abandon the Subject Wells and restore the surface of the Sites and/or Leases.

20.

Because Shoreline has formally discharged all obligations through bankruptcy, Shoreline can no longer plug and abandon the wells as described by the bonds. As a result, this triggers the provision of the bonds wherein the Obligee (the State/Office of Conservation) may, with written demand, request the amount necessary from the Surety (USSIC) to plug and abandon the wells.

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21.

Several demands have been made upon USSIC, both oral and written, the latest of which was dated February 25, 2019 (*see* Exhibit 7, which is the series of such requests and demands).

22.

This obligation is ongoing, as several wells require plugging and abandoning, and well areas require surface restoration. Currently, the projected cost of plugging and abandoning combined with surface restoration for all abandoned Shoreline wells is at an estimated bid of \$27 million to \$32.4 million. The amounts of the escrow and the bonds do not even come close to covering that obligation.

23.

In order to discharge its statutory obligations to protect public health and safety, the Office of Conservation is mandated to collect those costs, and has formally called Performance Bond Nos. 003860 and 006604 funded by USSIC so that it can plug and abandon additional Shoreline wells.

24.

Despite formal demands, USSIC has failed to remit any payment to the Office of Conservation (Exhibit 8).

25.

The bonds are currently due and owing without any reliable good faith expression of forthcoming payment (Exhibit 9).

26.

The bonds also provide for attorneys' fees and/or court costs or other expenses of litigation in the event of a contest over the Surety's denial of the obligation (or any part thereof). As a result, the State invokes its right to recover attorneys' fees, court costs, or other expenses of litigation in accordance with the terms of the bonds and Louisiana law. (*See* Exhibits 1 and 2).

**WHEREFORE**, the State prays that a judgment for specific performance to issue in its favor directing USSIC to either: (1) tender the amount of \$625,000.00 for Performance Bond No. 003860 and \$625,000.00 for Performance Bond No. 006604, for a grand total of One Million Two Hundred Fifty Thousand Dollars and No/100 (\$1,250,000.00); or (2) plug and abandon the outstanding wells in accordance with the applicable Louisiana laws and regulations. The State

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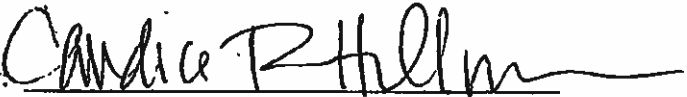
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also prays for attorneys' fees, court costs, or other expenses of litigation incurred to facilitate this action, and any other relief provided by law.

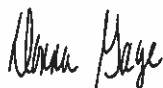
Respectfully submitted:  
**JEFF LANDRY**  
**ATTORNEY GENERAL**

By: 

Candice Rodgers Hillman (34371)  
Ryan M. Seidemann (28991)  
Christopher J. Lento (35614)  
Assistant Attorneys General  
Civil Division/Lands & Natural Resources  
Post Office Box 94005  
Baton Rouge, LA 70804-9005  
TEL: (225) 326-6085  
FAX: (225) 326-6099  
*Attorneys for the State of Louisiana*

***Please Serve via Long Arm Service:***

United States Specialty Insurance Company  
13403 Northwest Freeway  
Houston, TX 77040





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NINETEENTH JUDICIAL DISTRICT COURT  
PARISH OF EAST BATON ROUGE  
STATE OF LOUISIANA

DOCKET NO. \_\_\_\_\_ DIVISION \_\_\_\_\_

STATE OF LOUISIANA, through the DEPARTMENT OF NATURAL RESOURCES,  
OFFICE OF CONSERVATION

v.

UNITED STATES SPECIALTY INSURANCE COMPANY

FILED: \_\_\_\_\_ DEPUTY CLERK: \_\_\_\_\_

VERIFICATION AND CERTIFICATE OF SERVICE

STATE OF LOUISIANA ) PARISH OF EAST BATON ROUGE

BEFORE ME, the undersigned authority, personally came and appeared:

CANDICE R. HILLMAN

who, after first being duly sworn did depose and say:

That she is the attorney for the Applicants, the State of Louisiana, through the Office of Conservation, and that she prepared the foregoing Petition for Specific Performance, that all of the allegations in the foregoing Petition are true and correct to the best of her knowledge, information, and belief; and that sheriff's service of copies of this Petition and all exhibits attached hereto have been requested upon the following:

United States Specialty Insurance Company  
13403 Northwest Freeway  
Houston, TX 77040

Candice R. Hillman further deposes and says:

That a copy of this Petition and all exhibits attached hereto have been sent to United States Specialty Insurance Company's retained counsel, but not yet counsel of record:


Philip Eisenberg, Esq.  
LOCKE LORD LLP  
600 Travis Street, Suite 2800  
Houston, Texas 77002

*Candice R Hillman*  
CANDICE R. HILLMAN (La. Bar No. 34371)

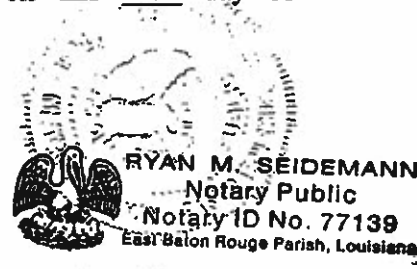




SWORN AND SUBSCRIBED before me, Notary Public, on this 25<sup>th</sup> day of June, 2019.



NOTARY PUBLIC  
RYAN M. SEIDEMANN  
La. Bar Roll No. 28991  
My commission expires at death.







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NINETEENTH JUDICIAL DISTRICT COURT  
PARISH OF EAST BATON ROUGE  
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FILED: \_\_\_\_\_

DEPUTY CLERK: \_\_\_\_\_

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REQUEST FOR NOTICE

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THE STATE OF LOUISIANA, through the Department of Natural Resources, Office of Conservation, respectfully requests written notice of the trial date, hearings (whether on the merits or otherwise), orders, judgments, and interlocutory decrees, and any and all other matters as provided in the Louisiana Civil Code articles 1572, 1913, and 1914.

Respectfully Submitted,

**JEFF LANDRY**  
ATTORNEY GENERAL

By: 

Candice Rodgers Hillman (Bar No. 34371)  
Ryan M. Seidemann (Bar No. 28991)  
Assistant Attorneys General  
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*Attorneys for the State of Louisiana*



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