

Sorvino Comments on New York Bankruptcy Court Ruling in Sabine Oil & Gas Case

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Sabine Oil & Gas Corporation won an important court ruling that will allow the bankrupt energy producer to shed certain pipeline contracts, potentially exposing companies that transport and process gas to the crisis in the energy industry. The ruling by New York's influential bankruptcy court is the first major test of whether Chapter 11 can be used to end a contract with companies in what is known as the midstream sector of the energy industry.

Advocates for the \$500 billion midstream sector have argued that pipeline contracts are bankruptcy-proof because the energy producers have agreed to convey property rights over their natural gas to midstream operators. The pipeline operators considered the contracts to contain covenants that "run with the land," and the operators compared them to a deed restriction that might limit the height of a building, and which binds future owners. The court rejected this argument.

"It's huge," Heidi Sorvino commented. "This is going to have a domino effect on other industries."

KEY ATTORNEYS

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